



**MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS**

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2022



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MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS
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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

The Honorable President
Members of the Board of Trustees
Morton Grove Public Library
Morton Grove, Illinois

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Morton Grove Public Library, Morton Grove, Illinois (the Library), as of and for the year ended December 31, 2022, and the related notes to financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of the Morton Grove Public Library, Morton Grove, 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.

Change in Accounting Principle

The Library adopted new accounting guidance, GASB Statement No. 87, *Leases*, during the year ended December 31, 2022. The implementation of this guidance resulted in changes to the reporting of right-to-use intangible assets, leases payable and the related notes to the financial statements (see footnote 4, 5 and 9 for additional information). Our opinion is not modified with respect to this matter.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under these 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 these 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 12 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 GAAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Sikich LLP

Naperville, Illinois

May 4, 2023

**GENERAL PURPOSE EXTERNAL
FINANCIAL STATEMENTS**

BASIC FINANCIAL STATEMENTS

**MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS**

STATEMENT OF NET POSITION

December 31, 2022

| | Governmental Activities |
|---|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 1,441,827 |
| Property taxes receivable - net | 4,303,203 |
| Accounts receivable | 141,574 |
| Prepays | 4,929 |
| Net pension asset | 93,209 |
| Capital assets, not being depreciated | 247,276 |
| Capital assets and intangible capital assets, net of depreciation and amortization | <u>3,833,509</u> |
| Total assets | <u>10,065,527</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Pension items - IMRF | 178,090 |
| Pension items - MERF | <u>224,411</u> |
| Total deferred outflows of resources | <u>402,501</u> |
| Total assets and deferred outflows of resources | <u>10,468,028</u> |
| LIABILITIES | |
| Accounts payable | 58,584 |
| Accrued interest | 14 |
| Wages payable | 67,361 |
| Unearned revenue | 7,500 |
| Noncurrent liabilities | |
| Due within one year | 196,297 |
| Due in more than one year | <u>2,968,481</u> |
| Total liabilities | <u>3,298,237</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Pension items - IMRF | 296,144 |
| Deferred property tax revenue | <u>3,565,931</u> |
| Total deferred inflows of resources | <u>3,862,075</u> |
| Total liabilities and deferred inflows of resources | <u>7,160,312</u> |
| NET POSITION | |
| Net investment in capital assets | 3,342,442 |
| Unrestricted (deficit) | <u>(34,726)</u> |
| TOTAL NET POSITION | <u><u>\$ 3,307,716</u></u> |

See accompanying notes to financial statements.

**MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS**

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

| FUNCTIONS/PROGRAMS | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position |
|---------------------------------|---------------------|----------------------------------|--|--|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| PRIMARY GOVERNMENT | | | | | |
| Governmental Activities | | | | | |
| Culture and recreation | \$ 2,633,363 | \$ 10,215 | \$ 57,555 | \$ - | \$ (2,565,593) |
| Interest | 25,574 | - | - | - | (25,574) |
| Total governmental activities | 2,658,937 | 10,215 | 57,555 | - | (2,591,167) |
| TOTAL PRIMARY GOVERNMENT | \$ 2,658,937 | \$ 10,215 | \$ 57,555 | \$ - | (2,591,167) |
| | | General revenues | | | |
| | | Taxes | | | |
| | | Property | | | 3,568,784 |
| | | Replacement | | | 99,166 |
| | | Investment income | | | 6,728 |
| | | Miscellaneous | | | 1,808 |
| | | Total | | | 3,676,486 |
| | | CHANGE IN NET POSITION | | | 1,085,319 |
| | | NET POSITION, JANUARY 1 | | | 2,222,397 |
| | | NET POSITION, DECEMBER 31 | | | \$ 3,307,716 |

See accompanying notes to financial statements.

**MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS**

BALANCE SHEET

December 31, 2022

| | General Fund | Nonmajor Governmental Fund | Total |
|---|-------------------------|---|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,398,484 | \$ 43,343 | \$ 1,441,827 |
| Receivables | | | |
| Property taxes receivable - net | 4,303,203 | - | 4,303,203 |
| Accounts | 141,574 | - | 141,574 |
| Prepays | 4,929 | - | 4,929 |
| TOTAL ASSETS | \$ 5,848,190 | \$ 43,343 | \$ 5,891,533 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 58,584 | \$ - | \$ 58,584 |
| Wages payable | 67,361 | - | 67,361 |
| Unearned revenue | 7,500 | - | 7,500 |
| Total liabilities | 133,445 | - | 133,445 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable property tax revenue | 3,565,931 | - | 3,565,931 |
| Total deferred inflows of resources | 3,565,931 | - | 3,565,931 |
| Total liabilities and deferred inflows of resources | 3,699,376 | - | 3,699,376 |
| FUND BALANCES | | | |
| Nonspendable | 4,929 | - | 4,929 |
| Unrestricted | | | |
| Committed | | | |
| Special reserve | - | 43,343 | 43,343 |
| Unassigned | 2,143,885 | - | 2,143,885 |
| Total fund balances | 2,148,814 | 43,343 | 2,192,157 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 5,848,190 | \$ 43,343 | \$ 5,891,533 |

See accompanying notes to financial statements.

MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION

December 31, 2022

| | |
|--|----------------------------|
| FUND BALANCES OF GOVERNMENTAL FUNDS | \$ 2,192,157 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets and intangible capital asset used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds | 4,080,785 |
| Net pension asset (IMRF) is not a financial resource and is not reported in the governmental funds. | 93,209 |
| Differences between expected and actual experiences, assumption changes and net difference between projected and actual earnings for the Illinois Municipal Retirement Fund are recognized as deferred outflows and inflows of resources on the statement of net position | (118,054) |
| Differences between expected and actual experiences, assumptions changes and net difference between projected and actual earnings for the Municipal Employers' Retirement Plan are recognized as deferred outflows and inflows of resources on the statement of net position | 224,411 |
| Long-term liabilities, including interest payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds | |
| OPEB liability | (306,048) |
| Note payable | (681,589) |
| Lease payable | (56,754) |
| Interest payable | (14) |
| Net pension liability - MERF | (2,048,122) |
| Compensated absences | (72,265) |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | <u><u>\$ 3,307,716</u></u> |

See accompanying notes to financial statements.

**MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS**

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

For the Year Ended December 31, 2022

| | General Fund | Nonmajor Governmental Fund | Total |
|----------------------------------|-------------------------|---|---------------------|
| REVENUES | | | |
| Property taxes | \$ 3,568,784 | \$ - | \$ 3,568,784 |
| Replacement taxes | 99,166 | - | 99,166 |
| Intergovernmental | 57,555 | - | 57,555 |
| Charges for services | 10,082 | - | 10,082 |
| Fines | 133 | - | 133 |
| Investment income | 6,306 | 422 | 6,728 |
| Miscellaneous | 1,808 | - | 1,808 |
| | <hr/> | | |
| Total revenues | 3,743,834 | 422 | 3,744,256 |
| <hr/> | | | |
| EXPENDITURES | | | |
| Current | | | |
| Culture and recreation | 3,275,785 | - | 3,275,785 |
| Debt Service | | | |
| Principal | 106,184 | - | 106,184 |
| Interest | 25,560 | - | 25,560 |
| | <hr/> | | |
| Total expenditures | 3,407,529 | - | 3,407,529 |
| <hr/> | | | |
| NET CHANGE IN FUND BALANCE | 336,305 | 422 | 336,727 |
| FUND BALANCE, JANUARY 1 | 1,812,509 | 42,921 | 1,855,430 |
| | <hr/> | | |
| FUND BALANCE, DECEMBER 31 | \$ 2,148,814 | \$ 43,343 | \$ 2,192,157 |
| | <hr/> <hr/> | | |

See accompanying notes to financial statements.

MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

| | |
|--|----------------------------|
| NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | \$ 336,727 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlay as expenditures; however, they are capitalized and depreciated in the statement of activities | 185,827 |
| The change in the accrual of interest is reported as an increase of interest expense on the statement of activities | (14) |
| Depreciation expense does not require the use of current financial statement resources and, therefore, is not reported as an expenditure in the governmental funds | (121,657) |
| Amortization of intangible capital assets is reported as an expense in the statement of activities | (41,517) |
| The repayment of the principal portion of long-term debt is reported as an expenditure when due in governmental funds but as a reduction of principal outstanding in the statement of activities | |
| Lease principal | 40,778 |
| Notes payable | 65,406 |
| Governmental funds do not report compensated absences; however, they are recognized as a change to expenses on the statement of activities | 2,330 |
| The change in the Other Postemployment Benefit liability is not a source or use of financial resources | 453,913 |
| The change in the Illinois Municipal Retirement Fund net pension liability (asset) and deferred outflows/inflows of resources is not a source or use of financial resources | 89,979 |
| The change in the Municipal Employers' Retirement Plan net pension liability and deferred outflows/inflows of resources is not a source or use of financial resources | <u>73,547</u> |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ 1,085,319</u> |

See accompanying notes to financial statements.

**MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS**

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity

The Library is a library corporation governed by a separately elected seven-member Board of Trustees. As required by GAAP, these financial statements present the Library and any existing component units. Currently, the Library does not have any component units and based on criteria of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an Amendment of GASB Statements No. 14 and No. 34*, the Library has been determined to be fiscally independent and not to be a component unit of the Village of Morton Grove, Illinois (the Village).

b. Fund Accounting

The accounts of the Library are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Funds used by the Library are classified as governmental funds.

The General Fund is used to account for all of the Library's general activities.

The Special Reserve Fund is used to account for capital improvements to the Library, purchase of equipment for the Library facilities and for repairs to the Library buildings and equipment.

MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Government-Wide and Fund Financial Statements

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of restricted, committed or assigned monies (special revenue funds), funds restricted, committed or assigned for the acquisition or construction of capital assets (capital projects funds) and funds restricted, committed or assigned for the servicing of general long-term debt (debt service funds). The General Fund is the general operating fund of the Library and accounts for all of the Library's operating activities.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Library. The effect of material interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Library has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and shared revenues that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Library reports the following major governmental fund:

The General Fund is the Library's primary operating fund. It accounts for all operating activities of the Library.

d. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)

Governmental fund financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as expenditures become due.

The Library reports unearned/deferred revenue and unavailable revenue on its financial statements. Unavailable revenues arise when a potential revenue does not meet both the available criteria for recognition in the current period, under the modified accrual basis of accounting. Unearned/deferred revenue arises when a revenue is measurable but not earned under the accrual basis of accounting. Unearned/deferred revenues also arise when resources are received by the Library before it has a legal claim to them or prior to the provision of services, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Library has a legal claim to the resources, the liability and deferred inflows of resource for unearned/deferred and unavailable revenue are removed from the financial statements and revenue is recognized.

e. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

f. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of the donation.

MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

| Assets | Years |
|----------------------------|-------|
| Buildings and improvements | 5-50 |
| Equipment and vehicles | 5-20 |

g. Compensated Absences

Vested or accumulated vacation of governmental activities at the government-wide level is recorded as an expense and liability as the benefits accrue to employees. Vested or accumulated vacation and compensatory leave that is owed to retirees or terminated employees is reported as an expenditure and a fund liability of the governmental fund that will pay it in the fund financial statements. Unused sick leave benefits will not be paid to employees while they are employed or upon termination.

h. Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. Bond premiums and discounts, if any, are deferred and amortized over the life of the bonds. Bonds payable, if any, are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

j. Fund Equity/Net Position

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not in spendable form or are legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities or from enabling legislation adopted by the Library. Committed fund balance is constrained by formal actions of the Library's Board of Trustees, which is considered the Library's highest level of decision-making authority. Formal actions include resolutions approved by the Board of Trustees. Assigned fund balance represents amounts constrained by the Library's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the Library Director by the Fund Balance and Reserve Policy. Any residual fund balance in the General Fund and any deficit fund balance of any other governmental fund are reported as unassigned.

The Library has not adopted a flow of funds policy; therefore, in accordance with GASB Statement No. 54, the default flow of funds has been applied which prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending, the Library considers committed funds to be expended first followed by assigned funds and then unassigned funds.

In the government-wide financial statements, restricted net positions are legally restricted by outside parties for a specific purpose. None of the Library's restricted net position resulted from enabling legislation adopted by the Library. Net investment in capital assets is the book value of capital assets less any long-term debt outstanding that was issued to construct or acquire the capital assets.

MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

The Library categorizes the fair value measurements within the fair value hierarchy established by GAAP. 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; and Level 3 inputs are significant unobservable inputs. The Library had no investments that required fair value measurement as of December 31, 2022.

Permitted Deposits and Investments - The Library's investment policy authorizes the Library to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, certificates of deposit, banker's acceptances, commercial paper rated in the highest tier by a nationally recognized rating agency, investment-grade obligations of state, provincial and local governments and public authorities, repurchase agreements whose underlying securities adhere to the above securities, certain money market mutual funds and local government investment pools (such as The Illinois Funds).

The Illinois Public Treasurers' Investment Pool, known as The Illinois Funds, operates as a qualified external investment pool in accordance with the criteria established in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and thus, reports all investments at amortized cost rather than market value. The investment in The Illinois Funds by participants is also reported at amortized cost. The Illinois Funds does not have any limitations or restrictions on participant withdrawals. The Illinois Treasurer's Office issues a separate financial report for The Illinois Funds which may be obtained by contacting the Administrative Office at Illinois Business Center, 400 West Monroe Street, Suite 401, Springfield, Illinois 62704.

MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

It is the investment credit risk policy of the Library to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Library and conforming to all state and local statutes governing the investment of public funds, using the “prudent person” standard for managing the overall portfolio. The primary objective of the policy is legality, safety (preservation of capital and protection of investment principal), liquidity and yield.

a. Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank’s failure, the Library’s deposits may not be returned to it. The Library’s investment policy requires pledging of collateral with a fair value of 110% of all bank balances in excess of federal depository insurance with the collateral held by a third party in the name of the Library. As of December 31, 2022, all of the Library’s deposits were insured, collateralized and unexposed to custodial credit risk.

b. Investments

Interest rate risk is the risk that change in interest rates will adversely affect the fair value of an investment.

In accordance with its investment policy, the Library limits its exposure to interest rate risk by structuring the portfolio so that securities mature concurrent with cash needs. The investment policy limits the maximum maturity length of investments to five years from date of purchase, unless specific authority is given to exceed.

Investments in reserve funds may be purchased with maturities to match future projects or liability requirements. In addition, the policy requires the Library to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

The Library limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by investing in The Illinois Funds or obligations guaranteed by the United States Government or securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government. The Illinois Funds are rated AAA by Standard and Poor’s.

MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

b. Investments (Continued)

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Library will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Library's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the Library's agent separate from where the investment was purchased or by the trust department of the bank where purchased, in the Library's name. The Illinois Funds are not subject to custodial credit risk.

Concentration of credit 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 of credit risk.

3. PROPERTY TAXES

Property taxes for 2022 attach as an enforceable lien on January 1, 2022, on property values assessed as of the same date. Taxes are levied by December of the same fiscal year (by passage of a tax levy ordinance). Taxes levied in one year become due and payable in two installments, on or about March 1 or June 1 and September 1 of the following year.

Property taxes collected which are used to finance the current year's operations are recognized as revenue. Property taxes collected which are used to finance the subsequent year's operations and net taxes receivable are reported as a deferred inflow of resources.

Based upon collection histories, the Library has provided an allowance for uncollectible property taxes equivalent to 1% of the current year's levy. All uncollected taxes related to prior years' levies have been written off.

MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. CAPITAL ASSETS

The following is a summary of changes in capital assets during the fiscal year:

| | Beginning Balances, Restated | Additions | Retirements | Ending Balances |
|---|------------------------------------|------------------|-------------|---------------------|
| GOVERNMENTAL ACTIVITIES | | | | |
| Tangible capital assets not being depreciated | | | | |
| Land | \$ 79,000 | \$ - | \$ - | \$ 79,000 |
| Construction in progress | - | 168,276 | - | 168,276 |
| Total tangible capital assets not being depreciated | 79,000 | 168,276 | - | 247,276 |
| Tangible capital assets being depreciated | | | | |
| Buildings and improvements | 5,199,418 | 17,551 | - | 5,216,969 |
| Equipment and vehicles | 456,653 | - | - | 456,653 |
| Total tangible capital assets being depreciated | 5,656,071 | 17,551 | - | 5,673,622 |
| Intangible capital assets being amortized | | | | |
| Land | 38,274 | - | - | 38,274 |
| Equipment and vehicles | 59,258 | - | - | 59,258 |
| Total intangible capital assets being amortized | 97,532 | - | - | 97,532 |
| Less accumulated depreciation for tangible capital assets | | | | |
| Buildings and improvements | 1,668,440 | 96,228 | - | 1,764,668 |
| Equipment and vehicles | 106,031 | 25,429 | - | 131,460 |
| Total accumulated depreciation for tangible capital assets | 1,774,471 | 121,657 | - | 1,896,128 |
| Less accumulated amortization for intangible capital assets | | | | |
| Land | - | 15,309 | - | 15,309 |
| Equipment and vehicles | - | 26,208 | - | 26,208 |
| Total accumulated amortization for intangible capital assets | - | 41,517 | - | 41,517 |
| Total tangible and intangible capital assets being depreciated and amortized, net | 3,979,132 | (145,623) | - | 3,833,509 |
| GOVERNMENTAL ACTIVITIES | | | | |
| CAPITAL ASSETS, NET | \$ 4,058,132 | \$ 22,653 | \$ - | \$ 4,080,785 |

MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. CAPITAL ASSETS (Continued)

Depreciation and amortization expense was charged to functions/programs of the governmental activities as follows:

| | |
|-------------------------|-------------------|
| GOVERNMENTAL ACTIVITIES | |
| Culture and recreation | <u>\$ 163,174</u> |

5. LONG-TERM DEBT

a. Changes in Long-Term Liabilities

During the year ended December 31, 2022, the following changes occurred in long-term liabilities reported in the governmental activities:

| | Beginning Balances, Restated | Additions | Reductions | Ending Balances | Due Within One Year |
|--------------------------------------|------------------------------------|-----------------|-------------------|---------------------|------------------------|
| GOVERNMENTAL ACTIVITIES | | | | | |
| Note payable | \$ 746,995 | \$ - | \$ 65,406 | \$ 681,589 | \$ 134,155 |
| Lease payable | 97,532 | - | 40,778 | 56,754 | 42,195 |
| Compensated absences payable | 74,595 | 5,130 | 7,460 | 72,265 | 7,227 |
| Net pension liability - MERF | 2,091,744 | - | 43,622 | 2,048,122 | - |
| Net pension liability - IMRF* | 112,830 | - | 112,830 | - | - |
| OPEB liability | 759,961 | - | 453,913 | 306,048 | 12,720 |
| TOTAL GOVERNMENTAL ACTIVITIES | <u>\$ 3,883,657</u> | <u>\$ 5,130</u> | <u>\$ 724,009</u> | <u>\$ 3,164,778</u> | <u>\$ 196,297</u> |

*The net pension liability - IMRF is now reported as a net pension asset as of December 31, 2022. See footnote #7 for additional information.

b. Note payable

On December 23, 2020, the Library entered into a note payable of \$800,000 with the intention to use the funds for acquisition of capital assets. The maturity date on the note payable is December 31, 2027 with an interest rate of 3%. Interest is payable on the 23rd day of each calendar month beginning on January 23, 2021 and principal will be payable beginning June 23, 2022.

MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

c. Debt Service to Maturity Schedule

| <u>Fiscal Year</u> | <u>Note Payable</u> | |
|--------------------|---------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2023 | \$ 134,155 | \$ 20,442 |
| 2024 | 138,594 | 16,003 |
| 2025 | 143,279 | 11,318 |
| 2026 | 148,072 | 6,525 |
| 2027 | 117,489 | 1,659 |
| TOTAL | <u>\$ 681,589</u> | <u>\$ 55,947</u> |

d. Leases

The Library entered into a lease arrangement on April 5, 2019, for the right-to-use copiers. Payments of \$2,234 are due in monthly installments, through April 2024. Total intangible right-to-use assets acquired under this agreement are \$59,258.

The Library entered into a lease arrangement on July 1, 2021, for the right-to-use a parking lot. Payments of \$1,236 are due in monthly installments, through June 2024. Total intangible right-to-use assets acquired under this agreement are \$38,274.

Future principal and interest payments, are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> |
|--------------------|------------------|-----------------|
| 2023 | \$ 42,195 | \$ 124 |
| 2024 | 14,559 | 11 |
| TOTAL | <u>\$ 56,754</u> | <u>\$ 135</u> |

6. RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; illnesses of employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three fiscal years.

7. EMPLOYEE RETIREMENT SYSTEMS

The Library contributes to two defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employees retirement system and the Municipal Employees' Retirement Fund (MERF), an agent multiple-employer plan. However, the Library's participation in IMRF is equivalent to a cost sharing multiple-employer pension plan since only one actuarial valuation is performed for both the Village and the Library combined. All disclosures for an agent multiple-employer plan can be found in the Village's annual comprehensive financial report. The Library also participates with the Village in the MERF plan. However, a separate valuation is prepared for the Library's participation in MERF.

a. Plan Descriptions

Illinois Municipal Retirement Fund

Plan Administration

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members.

The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable. Investments are reported at fair value.

Benefits Provided

IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011 are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter. 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 members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with ten years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute.

MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Contributions

Participating members are required to contribute 4.50% of their annual salary to IMRF. The Village and Library are required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contribution rate for the year ended December 31, 2022, was 7.48% of covered payroll. For the year ended December 31, 2022, required employer contributions totaled \$101,941, which was equal to the Library's actual contributions.

Net Pension Liability (Asset)

At December 31, 2022, the Library reported a liability (asset) of \$(93,209) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2021 and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The Library's proportion of the net pension liability (asset) was based on a projection of the Library's long-term share of contributions to the pension plan relative to the projected contributions of the Village and the Library combined. At December 31, 2021, the Library's proportion was 24.46%.

Actuarial Assumptions

The Library's net pension liability (asset) was measured as of December 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of the same date using the following actuarial methods and assumptions.

| | |
|----------------------------|-------------------|
| Actuarial valuation date | December 31, 2021 |
| Actuarial cost method | Entry-age normal |
| Assumptions | |
| Inflation | 2.50% |
| Salary increases | 2.85% to 13.75% |
| Interest rate | 7.25% |
| Cost of living adjustments | 2.25% |
| Asset valuation method | Fair value |

MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Actuarial Assumptions (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.

Discount Rate

At December 31, 2021, the discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Library contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended December 31, 2022, the Library recognized pension expense of \$11,962. At December 31, 2022, the Library reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ 51,657 | \$ 10,113 |
| Changes in assumption | 24,492 | 30,941 |
| Net difference between projected and actual earnings on pension plan investments | - | 255,090 |
| Contributions subsequent to measurement date | 101,941 | - |
| TOTAL | <u>\$ 178,090</u> | <u>\$ 296,144</u> |

MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

\$101,941 reported as deferred outflows of resources related to pensions resulting from the Library contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to IMRF will be recognized in pension expense as follows:

| <u>Year Ending</u> <u>December 31,</u> | |
|---|----------------------------|
| 2023 | \$ (47,712) |
| 2024 | (76,821) |
| 2025 | (59,264) |
| 2026 | (36,802) |
| 2027 | 604 |
| Thereafter | <u>-</u> |
| TOTAL | <u>\$ (219,995)</u> |

Sensitivity of the Library's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the Library's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25%, as well as what the Library's net pension liability (asset) would be if it were calculated using a single discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | 1% Decrease (6.25%) | Current Single Discount Rate Assumption (7.25%) | 1% Increase (8.25%) |
|-------------------------------|------------------------|--|------------------------|
| Net pension liability (asset) | \$ 322,111 | \$ (93,209) | \$ (404,521) |

MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Municipal Employee Retirement Fund

Plan Administration

All employees hired in positions that met or exceeded the prescribed annual hourly standard (1,000 hours) were enrolled in MERF as participating members through January 1, 2005. The plan is closed to new 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. Investments are reported at fair value.

Benefits Provided

Pension benefits vest after ten years of service. Participating members who retire after 30 years of creditable service or at or after age 60 with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of average compensation for each of the first 15 years of service, plus 2% of average compensation for each year of service in excess of 15 years. Average compensation is defined as the average of the four calendar years (within the preceding ten years of participation) during which the participant received the highest compensation.

At December 31, 2021, MERF (most recent available) membership of the Library consisted of:

| | |
|---|----------------------|
| Inactive employees or their beneficiaries currently receiving benefits | 11 |
| Inactive employees entitled to but not yet receiving benefits | 2 |
| Active employees | <u>1</u> |
| TOTAL | <u><u>14</u></u> |

MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Municipal Employee Retirement Fund (Continued)

Benefits Provided (Continued)

The Library's net pension liability was measured as of December 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of the same date using the following actuarial methods and assumptions.

| | |
|----------------------------|-------------------|
| Actuarial valuation date | December 31, 2021 |
| Actuarial cost method | Entry-age normal |
| Assumptions | |
| Inflation | 3.00% |
| Salary increases | 4.25% |
| Interest rate | 4.50% |
| Cost of living adjustments | 3.00% |
| Asset valuation method | Fair value |

The actuary used the mortality rates from the PubG-2010 Adjusted for Plan Status and Demographics.

Discount Rate

The discount rate used to measure the total pension liability was 3.37% at December 31, 2021. The projection of cash flows were not sufficient to cover the projected payouts and, therefore, the investment rate of 4.50% was blended with the bond rate 2.06% to arrive that the 3.37% discount rate. The discount rate used to measure the total pension liability at December 31, 2020 was 4.50%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Library contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Municipal Employee Retirement Fund (Continued)

Changes in Net Pension Liability

| | (a) Total Pension Liability | (b) Plan Fiduciary Net Position | (a) - (b) Net Pension Liability |
|--|--------------------------------------|--|--|
| BALANCES AT JANUARY 1, 2021 | \$ 2,114,691 | \$ 22,947 | \$ 2,091,744 |
| Changes for the period | | | |
| Service cost | 4,591 | - | 4,591 |
| Interest | 90,666 | - | 90,666 |
| Difference between expected and actual experience | 32,415 | - | 32,415 |
| Changes in assumptions | (3,071) | - | (3,071) |
| Employer contributions | - | 164,852 | (164,852) |
| Employee contributions | - | 444 | (444) |
| Net investment income | - | 2,927 | (2,927) |
| Benefit payments and refunds | (199,772) | (199,772) | - |
| Administrative expense | - | - | - |
| Other (net transfer) | - | - | - |
| Net changes | (75,171) | (31,549) | (43,622) |
| BALANCES AT DECEMBER 31, 2021 | \$ 2,039,520 | \$ (8,602) | \$ 2,048,122 |

Changes in assumptions: The assumed rate on High Quality 20 Year Tax-Exempt G.O. Bonds was changed from 2.74% to 3.37% for the current year. The underlying index used is The Bond Buyer 20-Bond GO Index. In addition, there were changes in assumptions related to mortality rates, mortality improvement rates, retirement rates, termination rates and disability rates.

The table above includes the total pension liability and the plan fiduciary net position for the Library only.

MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Municipal Employee Retirement Fund (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended December 31, 2022, the Library recognized pension expense of \$135,359.

At December 31, 2022, the Library reported deferred outflows of resources related to MERF from the following sources:

| | <u>Deferred Outflows of Resources</u> |
|---|---|
| Difference between expected and actual experience | \$ - |
| Changes in assumption | - |
| Net difference between projected and actual earnings on pension plan investments | 15,505 |
| Contributions subsequent to the measurement date | <u>208,906</u> |
| TOTAL | <u>\$ 224,411</u> |

\$208,906 reported as deferred outflows of resources related to pensions resulting from the Library contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to MERF will be recognized in pension expense as follows:

| <u>Year Ending December 31,</u> | |
|-------------------------------------|-------------------------|
| 2023 | \$ 8,473 |
| 2024 | 5,301 |
| 2025 | 2,265 |
| 2026 | (534) |
| Thereafter | <u>-</u> |
| TOTAL | <u>\$ 15,505</u> |

MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Municipal Employee Retirement Fund (Continued)

Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Library calculated using the discount rate of 3.37% as well as what the Library's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.37%) or 1 percentage point higher (4.37%) than the current rate:

| | 1% Decrease (2.37%) | Current Discount Rate (3.37%) | 1% Increase (4.37%) |
|-----------------------|------------------------|-------------------------------------|------------------------|
| Net pension liability | \$ 2,201,106 | \$ 2,048,122 | \$ 1,913,266 |

8. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

In addition to providing the pension benefits described, the Library provides postemployment health care benefits (OPEB) for retired employees through a single-employer defined benefit plan (the Plan). The benefits, benefit levels, employee contributions and employer contributions are governed by the Library and can be amended by the Library through its personnel manual. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The plan does not issue a separate report. The activity of the plan is reported in the Library's governmental activities.

b. Benefits Provided

The Library provides the opportunity for retirees to participate in the Library's postretirement health insurance. To be eligible for benefits, the employee must qualify for retirement under the IMRF or MERF. The District provides continued health insurance coverage at the active employer rate to all eligible employees in accordance with ILCS, which creates an implicit subsidy of retiree health insurance. An implicit benefit is provided due to the retirees paying 100% of the blended premium to the plan. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the retiree is no longer eligible to participant in the plan, but can purchase a Medicare supplement plan from the District's insurance provider.

MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

c. Membership

At December 31, 2022 (most recent data available), membership consisted of:

| | |
|--|----------------------|
| Retirees and beneficiaries currently receiving benefits | - |
| Terminated employees entitled to benefits but not yet receiving them | - |
| Active employees | <u>24</u> |
| TOTAL | <u><u>24</u></u> |
| Participating employers | <u><u>1</u></u> |

d. Total OPEB Liability

The Library's total OPEB liability of \$306,048 was measured as of December 31, 2022 and was determined by an actuarial valuation as of January 1, 2023.

e. Actuarial Assumptions and Other Inputs

The total OPEB liability at December 31, 2022, as determined by an actuarial valuation as of January 1, 2023, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

| | |
|-----------------------------|---------------------------------|
| Actuarial cost method | Entry-age normal |
| Actuarial value of assets | Fair value |
| Inflation | 2.25% |
| Discount rate | 3.72% |
| Healthcare cost trend rates | 7.40% initial 5.00% ultimate |

The discount rate was based on the S&P Municipal Bond 20 year high-grade rate index rate for tax exempt general obligation municipal bonds rated AA or better at December 31, 2022.

MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

e. Actuarial Assumptions and Other Inputs (Continued)

IMRF and MERF Mortality follows the Sex Distinct Raw Rates as developed in the PubG-2010(B) Study. These rates are improved generationally using MP-2020 Improvement Rates.

Spousal Mortality follows the Sex Distinct Raw Rates as developed in the PubG-2010(B) Study. These rates are improved generationally using MP-2020 Improvement Rates.

The actuarial assumptions used in the actuarial valuation are based on 100% participation assumed (IMRF and MERF) at retirement, with 25% electing spousal coverage.

f. Changes in the Total OPEB Liability

| | <u>Total OPEB Liability</u> |
|--|---------------------------------|
| BALANCES AT JANUARY 1, 2022 | <u>\$ 759,961</u> |
| Changes for the period | |
| Service cost | 10,011 |
| Interest | 15,524 |
| Difference between expected and actual experience | (411,997) |
| Changes in assumptions | (54,731) |
| Benefit payments | <u>(12,720)</u> |
| Net changes | <u>(453,913)</u> |
| BALANCES AT DECEMBER 31, 2022 | <u>\$ 306,048</u> |

Changes in assumptions related to the discount rate and healthcare cost trend rates were made since the previous measurement date.

MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

g. Rate Sensitivity

The following is a sensitive analysis of total OPEB liability to changes in the discount rate and the healthcare cost trend rate. The table below presents the total OPEB liability of the Library calculated using the discount rate of 3.72% as well as what the Library's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.72%) or 1 percentage point higher (4.72%) than the current rate:

| | 1% Decrease (2.72%) | Current Discount Rate (3.72%) | 1% Increase (4.72%) |
|----------------------|------------------------|-------------------------------------|------------------------|
| Total OPEB liability | \$ 342,845 | \$ 306,048 | \$ 274,784 |

The table below presents the total OPEB liability of the Library calculated using the healthcare rate of 5.00% to 7.40% as well as what the Library's total OPEB liability would be if it were calculated using a healthcare rate that is 1 percentage point lower 4.00% to 6.40% or 1 percentage point higher 6.00% to 8.40% than the current rate:

| | 1% Decrease (4.00% to 6.40%) | Current Healthcare Rate (5.00% to 7.40%) | 1% Increase (6.00% to 8.40%) |
|----------------------|---------------------------------|--|---------------------------------|
| Total OPEB liability | \$ 264,225 | \$ 306,048 | \$ 358,788 |

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

For the year ended December 31, 2022, the Library recognized OPEB expense (income) of \$(453,913).

MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year ended December 31, 2022, the Library implemented GASB Statement No. 87, *Leases*. With the implementation, the Library recorded a restatement to the opening net position of leases payable along with the associated right-of-use intangible asset. The beginning net position has been restated to reflect the new guidance as follows:

Governmental Activities

| | |
|--|----------------------------|
| BEGINNING NET POSITION, AS PREVIOUSLY REPORTED | <u>\$ 2,222,397</u> |
| Recording of right-to-use intangible asset | 97,532 |
| Recording of lease payable | <u>(97,532)</u> |
| Total net restatement | <u>-</u> |
| BEGINNING NET POSITION, AS RESTATED | <u><u>\$ 2,222,397</u></u> |

REQUIRED SUPPLEMENTARY INFORMATION

**MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS**

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND**

For the Year Ended December 31, 2022

| | Original & Final Budget | Actual |
|-----------------------------------|--|---------------------|
| REVENUES | | |
| Property taxes | \$ 3,438,617 | \$ 3,568,784 |
| Replacement taxes | 26,000 | 99,166 |
| Intergovernmental | 41,825 | 57,555 |
| Charges for services | 12,000 | 10,082 |
| Fines | 650 | 133 |
| Investment income | 7,500 | 6,306 |
| Miscellaneous | 2,300 | 1,808 |
| | 3,528,892 | 3,743,834 |
| Total revenues | | |
| EXPENDITURES | | |
| Current | | |
| Culture and recreation | | |
| Salaries and benefits | 2,158,109 | 2,093,196 |
| Materials and supplies | 620,300 | 537,897 |
| Operations | 475,248 | 516,260 |
| Special taxes | 135,235 | 128,432 |
| Debt Service | | |
| Principal | 105,000 | 106,184 |
| Interest | 35,000 | 25,560 |
| | 3,528,892 | 3,407,529 |
| Total expenditures | | |
| NET CHANGE IN FUND BALANCE | \$ - | 336,305 |
| FUND BALANCE, JANUARY 1 | | 1,812,509 |
| FUND BALANCE, DECEMBER 31 | | \$ 2,148,814 |

(See independent auditor's report.)

**MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS**

SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND

Last Eight Fiscal Years

| FISCAL YEAR ENDED DECEMBER 31, | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 100,656 | \$ 107,352 | \$ 110,272 | \$ 109,081 | \$ 93,550 | \$ 111,174 | \$ 106,477 | \$ 101,941 |
| Contributions in relation to the contractually required contribution | 100,656 | 107,352 | 110,272 | 109,081 | 93,550 | 111,174 | 106,477 | 101,941 |
| CONTRIBUTION DEFICIENCY (Excess) | \$ - |
| Library's covered payroll | \$ 1,038,762 | \$ 1,130,021 | \$ 1,209,123 | \$ 1,190,841 | \$ 1,224,476 | \$ 1,094,391 | \$ 1,306,466 | \$ 1,362,848 |
| Contributions as a percentage of covered payroll | 9.69% | 9.50% | 9.12% | 9.16% | 7.64% | 10.16% | 8.15% | 7.48% |

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuation as of January 1 of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay; closed and the amortization period was 22 years; the asset valuation method was five-year smoothed market; and the significant actuarial assumptions were an investment rate at 7.25% annually, projected salary increases assumptions of 3.35% to 14.25% compounded annually and postretirement benefit increases of 2.75%.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

**MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS**

SCHEDULE OF CHANGES IN THE LIBRARY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
ILLINOIS MUNICIPAL RETIREMENT FUND

Last Eight Fiscal Years

| MEASUREMENT DATE DECEMBER 31, | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Library's proportion of net pension liability | 25.81% | 22.74% | 27.56% | 27.59% | 24.57% | 24.58% | 24.97% | 24.46% |
| Library's proportionate share of net pension liability (asset) | \$ 266,843 | \$ 345,465 | \$ 387,146 | \$ 178,860 | \$ 405,232 | \$ 240,277 | \$ 112,830 | \$ (93,209) |
| Library's covered payroll | 967,773 | 1,038,762 | 1,130,021 | 1,209,123 | 1,190,841 | 1,224,476 | 1,094,391 | 1,332,187 |
| Library's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 27.57% | 33.26% | 34.26% | 14.79% | 34.03% | 19.62% | 10.31% | (7.00%) |
| Plan fiduciary net position as a percentage of the total pension liability | 80.39% | 77.26% | 78.16% | 90.65% | 81.76% | 90.23% | 95.90% | 103.07% |

Note: Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

**MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
MUNICIPAL EMPLOYERS' RETIREMENT FUND**

Last Eight Fiscal Years

| FISCAL YEAR ENDING DECEMBER 31, | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually required contribution | \$ 145,975 | \$ 223,313 | \$ 208,888 | \$ 197,742 | \$ 169,570 | \$ 166,518 | \$ 164,852 | \$ 208,906 |
| Contributions in relation to the contractually required contribution | 146,000 | 223,313 | 208,888 | 197,742 | 169,570 | 166,518 | 164,852 | 208,906 |
| CONTRIBUTION DEFICIENCY (Excess) | \$ (25) | \$ - |
| Library's covered payroll | \$ 237,438 | \$ 151,335 | \$ 148,976 | \$ 151,797 | \$ 152,418 | \$ 65,844 | \$ 20,203 | \$ 22,869 |
| Contributions as a percentage of covered payroll | 61.49% | 147.56% | 140.22% | 130.27% | 111.25% | 252.90% | 815.98% | 913.49% |

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of January 1 of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed and the amortization period was 20 years; the asset valuation method was market and the significant actuarial assumptions were an investment rate of return at 4.50% annually, projected salary increases assumption of 4.50% compounded annually and postretirement benefit increases of 2.75% compounded annually.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

**MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS**

SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
MUNICIPAL EMPLOYERS' RETIREMENT FUND

Last Eight Fiscal Years

| MEASUREMENT DATE DECEMBER 31, | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| TOTAL PENSION LIABILITY | | | | | | | | |
| Service cost | \$ 34,079 | \$ 18,637 | \$ 4,839 | \$ 12,961 | \$ 13,544 | \$ 11,732 | \$ 24,344 | \$ 4,591 |
| Interest | 159,057 | 144,785 | 183,759 | 158,160 | 143,783 | 124,768 | 102,966 | 90,666 |
| Changes of benefit terms | - | - | - | - | - | - | - | - |
| Differences between expected and actual experience | 203,601 | 25,933 | (38,488) | 197,142 | (374,375) | (148,903) | (20,520) | 32,415 |
| Changes of assumptions | - | 1,385,673 | - | (492,119) | - | 131,964 | - | (3,071) |
| Benefit payments, including refunds of member contributions | (280,038) | (160,777) | (1,257,122) | (180,801) | (210,466) | (200,544) | (784,021) | (199,772) |
| Net change in total pension liability | 116,699 | 1,414,251 | (1,107,012) | (304,657) | (427,514) | (80,983) | (677,231) | (75,171) |
| Total pension liability - beginning | 3,181,138 | 3,297,837 | 4,712,088 | 3,605,076 | 3,300,419 | 2,872,905 | 2,791,922 | 2,114,691 |
| TOTAL PENSION LIABILITY - ENDING | \$ 3,297,837 | \$ 4,712,088 | \$ 3,605,076 | \$ 3,300,419 | \$ 2,872,905 | \$ 2,791,922 | \$ 2,114,691 | \$ 2,039,520 |
| PLAN FIDUCIARY NET POSITION | | | | | | | | |
| Contributions - employer | \$ 138,384 | \$ 146,000 | \$ 225,037 | \$ 208,888 | \$ 197,859 | \$ 169,687 | \$ 166,532 | \$ 164,852 |
| Contributions - member | 7,715 | 6,131 | 4,105 | 2,873 | 2,557 | 2,691 | 1,291 | 444 |
| Net investment income | 47,037 | 42,023 | 15,891 | 13,020 | 13,155 | 13,572 | 856 | 2,927 |
| Benefit payments, including refunds of member contributions | (280,038) | (160,777) | (1,257,122) | (180,801) | (210,466) | (200,544) | (784,021) | (199,772) |
| Administrative expense | - | - | - | - | - | - | - | - |
| Net change in plan fiduciary net position | (86,902) | 33,377 | (1,012,089) | 43,980 | 3,105 | (14,594) | (615,342) | (31,549) |
| Plan net position - beginning | 1,671,412 | 1,584,510 | 1,617,887 | 605,798 | 649,778 | 652,883 | 638,289 | 22,947 |
| PLAN NET POSITION - ENDING | \$ 1,584,510 | \$ 1,617,887 | \$ 605,798 | \$ 649,778 | \$ 652,883 | \$ 638,289 | \$ 22,947 | \$ (8,602) |
| EMPLOYER'S NET PENSION LIABILITY | \$ 1,713,327 | \$ 3,094,201 | \$ 2,999,278 | \$ 2,650,641 | \$ 2,220,022 | \$ 2,153,633 | \$ 2,091,744 | \$ 2,048,122 |

| MEASUREMENT DATE DECEMBER 31, | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|------------|------------|------------|------------|------------|------------|-----------|-----------|
| Plan fiduciary net position as a percentage of the total pension liability | 48.00% | 34.30% | 16.80% | 19.70% | 22.70% | 22.90% | 1.10% | (0.40%) |
| Covered payroll | \$ 237,438 | \$ 237,438 | \$ 151,335 | \$ 148,976 | \$ 151,797 | \$ 152,418 | \$ 65,844 | \$ 20,498 |
| Employer's net pension liability as a percentage of covered payroll | 721.60% | 1303.20% | 1981.90% | 1779.20% | 1462.50% | 1413.00% | 3176.80% | 9991.80% |

Assumption Changes:

2021: The assumed rate on High Quality 20 Year Tax-Exempt G.O. Bonds was changed from 2.74% to 3.37% for the current year. The underlying index used is The Bond Buyer 20-Bond GO Index. In addition, there were changes in assumptions related to mortality rates, mortality improvement rates, retirement rates, termination rates and disability rates.

2019: The assumed rate on High Quality 20 Year Tax-Exempt G.O. Bonds was changed from 4.10% to 2.74% for the current year. The underlying index used is The Bond Buyer 20-Bond GO Index. There were also changes in mortality rates, projected individual pay increases and mortality improvement rates since the previous measurement date.

2017: The assumed rate on High Quality 20 Year Tax-Exempt G.O. Bonds was changed from 3.78% to 3.44% for the current year. The underlying index used is The Bond Buyer 20-Bond GO Index. There were also changes in mortality, retirement and disability rates since the previous measurement date.

2015: The assumed rate on High Quality 20 Year Tax-Exempt G.O. Bonds was changed to 3.57% for the current year. The underlying index used is The Bond Buyer 20-Bond GO Index. There were also changes in mortality, retirement and disability rates since the previous measurement date. The discount rate used in the determination of the total pension liability was changed from 7.00% to 4.50%.

Note: Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

**MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS**

SCHEDULE OF CHANGES IN THE LIBRARY'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN

Last Five Fiscal Years

| MEASUREMENT DATE DECEMBER 31, | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| TOTAL OPEB LIABILITY | | | | | |
| Service cost | \$ 3,750 | \$ 3,698 | \$ 1,102 | \$ 11,321 | \$ 10,011 |
| Interest | 3,750 | 4,100 | 3,274 | 17,494 | 15,524 |
| Changes of benefit terms | - | - | - | - | - |
| Differences between expected and actual experience | - | - | 100,445 | - | (411,997) |
| Changes of assumptions* | (7,814) | 16,892 | 609,441 | (87,118) | (54,731) |
| Benefit payments, including refunds of member contributions | (10,062) | (7,146) | (3,280) | (13,852) | (12,720) |
| Net change in total OPEB liability | (10,376) | 17,544 | 710,982 | (72,155) | (453,913) |
| Total OPEB liability - beginning | 113,966 | 103,590 | 121,134 | 832,116 | 759,961 |
| TOTAL OPEB LIABILITY - ENDING | \$ 103,590 | \$ 121,134 | \$ 832,116 | \$ 759,961 | \$ 306,048 |
| Covered employee payroll | \$ 1,199,771 | \$ 1,322,336 | \$ 1,269,620 | \$ 1,312,019 | \$ 1,239,762 |
| Employer's total OPEB liability as a percentage of covered employee payroll | 8.63% | 9.16% | 65.54% | 57.92% | 24.69% |

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

*2022: There were changes in assumptions related to the discount rate and healthcare cost trend rates.

*2021: There were changes in assumptions related to the discount rate, mortality rates, mortality improvement rates, retirement rates, termination rates and disability rates.

*2020: There were changes in assumptions related to the election rate, lapse rate, discount rate and medical costs.

*2018 and 2019: There were changes in assumptions related to the discount rate.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

**MORTON GROVE PUBLIC LIBRARY
MORTON GROVE, ILLINOIS**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2022

LEGAL COMPLIANCE AND ACCOUNTABILITY

Budgets

Budgets are adopted on a basis consistent with GAAP. An annual appropriated budget is adopted for the General Fund on the modified accrual basis. The annual appropriated budget is legally enacted and provides for a legal level of control at the fund level. All annual appropriations lapse at fiscal year end.

The proposed budget is presented to the governing body for review. The governing body holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget.

The Director is authorized to transfer budgeted amounts between departments within the General Fund; however, any revisions that alter the total expenditures of any fund must be approved by the governing body. Expenditures may not legally exceed budgeted appropriations at the fund level. There were no supplemental appropriations during the fiscal year.