

LAKE FOREST LIBRARY

(A Component Unit of the City of Lake Forest)
Lake Forest, Illinois

FINANCIAL STATEMENTS

As of and for the year ended April 30, 2020

LAKE FOREST LIBRARY
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INDEPENDENT AUDITORS' REPORT

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Lake Forest Library, a component unit of the City of Lake Forest, as of and for the year ended April 30, 2020, and the related notes to the financial statements, which collectively comprise the Lake Forest Library's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Lake Forest Library's preparation and fair presentation of the financial statements 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 Lake Forest Library's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Lake Forest Library Board of Trustees
Lake Forest Library

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Lake Forest Library, as of April 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Oak Brook, Illinois
October 15, 2020

Lake Forest Public Library

Management's Discussion and Analysis (UNAUDITED)

As of and for the Year Ended April 30, 2020

The discussion and analysis of the Lake Forest Library's (the "Library") financial performance provides an overall review of the Library's financial activities for the year ended April 30, 2020. The Library is a discretely presented component of the City of Lake Forest, Illinois (the "City") pursuant to GASB Statement No. 61, since the City is financially accountable for the Library. The management of the Library encourages readers to consider the information presented herein in conjunction with the basic financial statements, as well as the City's annual financial report, to enhance their understanding of the Library's financial performance. Certain comparative information between the current year and the prior is presented in the Management's Discussion and Analysis (the "MD&A").

Effects COVID-19 Pandemic

The Library's physical space closed on March 17, 2020 in compliance with Illinois Governor JB Pritzker's *Stay-at-Home* COVID-19 directive. The Library team shifted quickly and innovatively to develop a COVID-19 Pandemic Strategic Plan that outlined a strategy for launching a virtual library and re-engaging the Library's physical space under a phased-in approach based on the most current research available. The Library also accelerated its migration to Microsoft Office 365 to enable remote work to ensure that essential Library patron services and Library operations, including finance and HR operations and Library Board meetings, were uninterrupted.

Although FY2020 revenues were not impacted, the Library prepared alternative FY2021 budget allocations to be implemented as needed. Expenditures were evaluated to shift resources to patron services and materials and non-essential expenditures were suspended. The Library began incurring expenses for PPE, building modifications, remote work technology support, and other COVID expenses as early as January 2020. The Library has commenced a FEMA application for reimbursement COVID-19 expenses.

The Library outperformed its service metrics in 2020 despite the impact of COVID-19.

Financial Highlights

- > The Library's total net position increased by \$672,610, largely due to well-managed expenditures and increased revenues from grants, private gifts, investment income, and a 2.1% CPI increase in property taxes.
- > As of the close of the current fiscal year, the Library's governmental fund reported combined ending fund balances of \$5,295,491 an increase of \$917,929 from the prior year. In part due to increased revenues, and responsible fiscal spending.
- > Total revenues in 2020 were \$4,485,808. Property taxes accounted for \$4,158,792 or 92.72% of all 2020 revenues. Grant awards and contributions accounted for \$138,661 or 3.09% of all 2020 revenues. The Library generated an additional \$188,355 or 4.1% in investment income and other income. The Library ceased charging overdue fines in February 2020. Overall revenues increased \$91,751 from \$4,394,057 in 2019 to \$4,485,808 in 2020.
- > The Library received \$9,470 in impact fees in 2020, down from \$21,773 in 2019.

Lake Forest Public Library
Management's Discussion and Analysis (UNAUDITED)
As of and for the Year Ended April 30, 2020

- > The Library did not receive distributions from the Laurel and Western TIF as previously projected.

Overview of the Financial Statements

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

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

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

Government-Wide Financial Statements

The government-wide financial statements (see pages 9 to 10) are designed to be corporate-like in that all governmental activities are consolidated into columns which add to a total for the Primary Government. The focus of the Statement of Net Position (the Unrestricted Net Position) is designed to be similar to bottom line results for the Library and its activities. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long term obligations using the accrual basis of accounting and economic resources measurement focus.

The Statement of Activities (see page 10) is focused on both the gross and net cost of various activities, which are supported by the government's general taxes and other resources. This is intended to summarize and simplify the user's analysis of the cost of various governmental services of Library activities. The Governmental Activities reflect the Library's operations. Property taxes finance the majority of these operations.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements (see pages 11-14) presentation more familiar.

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

Lake Forest Public Library
Management's Discussion and Analysis (UNAUDITED)
As of and for the Year Ended April 30, 2020

Notes to the Financial Statements

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

Other Information

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

Government-Wide Financial Analysis

The Library's combined net position increased \$672,610 from \$6,341,435 in 2019 to \$7,014,045 in 2020. Total assets increased \$934,961 from \$11,593,261 in 2019 to \$12,528,222 in 2020. Table 1 reflects the condensed Statement of Net Position as compared to FY19. Table 2 reflects the changes in net position.

Table 1
Statement of Net Position
As of April 30, 2019 and 2020

	<u>2019</u>	<u>2020</u>
Current and other assets	\$8,618,993	\$9,679,961
Capital assets, net	<u>2,974,268</u>	<u>2,848,261</u>
Total assets	<u>11,593,261</u>	<u>12,528,222</u>
Deferred Outflows of Resources	<u>900,975</u>	<u>316,108</u>
Total liabilities	<u>1,916,795</u>	<u>1,119,755</u>
Deferred Inflows of Resources	<u>4,236,006</u>	<u>4,710,530</u>
Net investment in capital assets	2,971,916	2,765,786
Unrestricted	<u>3,369,519</u>	<u>4,248,259</u>
Total net position	<u>\$6,341,435</u>	<u>\$7,014,045</u>

Lake Forest Public Library
Management's Discussion and Analysis (UNAUDITED)
As of and for the Year Ended April 30, 2020

The Library's total revenues increased \$91,751 from \$4,394,057 in 2019 to \$4,485,808 in 2020. Property taxes accounted for \$4,158,792 or 92.72% of all 2020 revenues. Grant awards and contributions accounted for \$138,661 or 3.09% of all 2020 revenues. The Library generated an additional \$188,355 or 4.1% in investment income and other income. The Library ceased charging overdue fines in February 2020. The Library received \$9,470 in impact fees in 2020, down from \$21,773 in 2019.

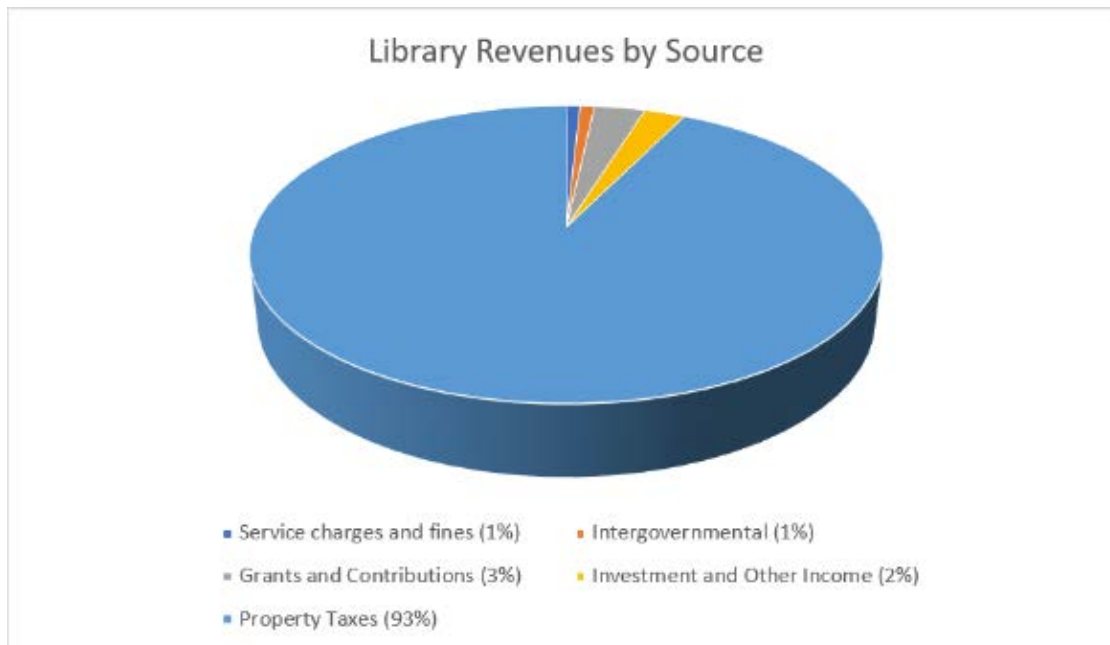
The Library received \$9,470 in impact fees in 2020, down from \$21,773 in 2019.

The Library did not receive distributions from the Laurel and Western TIF as previously projected.

Table 2
Changes in Fund Balance
For the Fiscal Year Ended April 30, 2019 and 2020

	<u>2019</u>	<u>2020</u>
Revenues		
Property taxes	\$ 4,063,010	\$ 4,158,792
Intergovernmental	36,944	39,040
Grants and contributions	115,158	138,661
Charges for services (including impact fees)	31,426	28,880
Fines and penalties	15,772	8,959
Investment income	<u>137,747</u>	<u>111,476</u>
Total revenues	<u>4,394,057</u>	<u>4,485,808</u>
Expenditures		
Library services	3,202,074	3,205,783
Library building	269,938	319,161
Capital Outlay	104,056	123,058
Debt Service	<u>28,333</u>	<u>25,102</u>
Total expenditures	<u>3,604,401</u>	<u>3,673,104</u>
Excess of Revenues Over Expenditures	789,656	812,704
Other Financing Sources (uses)	<u>-</u>	<u>105,225</u>
Total Other Financing Sources	<u>-</u>	<u>105,225</u>
Net Change in fund balance	789,656	917,929
Fund balance, beginning of year	<u>3,587,906</u>	<u>4,377,562</u>
Fund balance, end of year	<u>\$ 4,377,562</u>	<u>\$ 5,295,491</u>

Lake Forest Public Library
Management's Discussion and Analysis (UNAUDITED)
As of and for the Year Ended April 30, 2020



Note: Service Charges and fines includes receipt of \$9,470 in impact fees.

Financial Analysis of the Government Funds

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

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

General Fund Budgetary Highlights

The actual revenues were greater than projected revenues by \$142,415 in the General Fund for the year ended April 30, 2020. This is due to the Library receiving more grants and contributions than expected, and increased investment income.

The actual expenditures for fiscal 2020 were less than budget by \$1,104,583 a result of Library operating expenses and capital expenditures falling below expectations. As a result, the Library Fund balance as of April 30, 2020 is \$5,295,491

Lake Forest Public Library
Management’s Discussion and Analysis (UNAUDITED)
As of and for the Year Ended April 30, 2020

Capital Assets

At the end of fiscal 2020, the Library had total capital assets (net of accumulated depreciation) of \$2,848,261 invested in a broad range of capital assets including art, equipment, buildings, land, land improvements, and library materials.

The total decrease in the Library’s cost value of capital assets for the current year was \$126,007.

A majority of the capital asset acquisitions in fiscal 2020 related to replacement of equipment and the purchase of library materials. All retirements in fiscal 2020 related to library materials and equipment. Additional information on capital assets can be found in Note 3 of the basic financial statements (page 20).

Debt Outstanding

The Library has no bonded indebtedness currently outstanding.

Requests for Information

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the Library’s finances and to demonstrate the Library’s accountability for the money it receives.

Questions concerning this report or requests for additional financial information should be directed to Catherine A. Lemmer, Library Director, Lake Forest Library, 360 East Deerpath Road, Lake Forest, IL 60045.

Table 3		
Capital Assets (Net of Depreciation)		
	<u>2019</u>	<u>2020</u>
Land	\$ 70,000	\$ 70,000
Art	165,800	168,500
Buildings	433,691	413,978
Improvements other than buildings	728,267	664,652
Machinery and equipment	<u>1,573,810</u>	<u>1,534,131</u>
Total	<u>\$ 2,974,268</u>	<u>\$ 2,851,261</u>

BASIC FINANCIAL STATEMENTS

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

- **Government-wide Financial Statements**
- **Fund Financial Statements – Governmental Fund**

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

LAKE FOREST LIBRARY

STATEMENT OF NET POSITION

As of April 30, 2020

	GOVERNMENTAL ACTIVITIES
Assets	
Cash and cash equivalents	\$ 5,455,932
Receivables (net of allowance for uncollectibles):	
Property taxes	4,218,857
Other taxes	5,172
Capital assets:	
Capital assets not being depreciated	238,500
Capital assets being depreciated (net of accumulated depreciation)	<u>2,609,761</u>
 Total assets	 <u>12,528,222</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	309,155
Deferred outflows related to total OPEB liability	<u>6,953</u>
 Total deferred outflows of resources	 <u>316,108</u>
Liabilities	
Accounts payable	47,342
Accrued liabilities	118,271
Long-term obligations:	
Due within one year	39,410
Due in more than one year	<u>914,732</u>
Total liabilities	<u>1,119,755</u>
Deferred Inflows of Resources	
Property taxes levied for future periods	4,218,857
Deferred inflows of resources related to pensions	<u>491,673</u>
 Total deferred inflows of resources	 <u>4,710,530</u>
Net position	
Net investment in capital assets	2,765,786
Unrestricted	<u>4,248,259</u>
 Total net position	 <u>\$ 7,014,045</u>

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

LAKE FOREST LIBRARY

STATEMENT OF ACTIVITIES For the Year Ended April 30, 2020

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Governmental activities				
Library services	\$ 3,813,198	\$ 37,839	\$ 138,661	\$ (3,636,698)
Total governmental activities	<u>\$ 3,813,198</u>	<u>\$ 37,839</u>	<u>\$ 138,661</u>	<u>(3,636,698)</u>
General revenues:				
				4,158,792
				39,040
				<u>111,476</u>
				4,309,308
				<u>672,610</u>
				<u>6,341,435</u>
				<u>\$ 7,014,045</u>

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

LAKE FOREST LIBRARY

GOVERNMENTAL FUND

BALANCE SHEET

As of April 30, 2020

	<u>GENERAL FUND</u>
Assets	
Cash and cash equivalents	\$ 5,455,932
Receivables (net of allowance for doubtful accounts):	
Property taxes	4,218,857
Other taxes	<u>5,172</u>
Total assets	<u>\$ 9,679,961</u>
Liabilities, deferred inflows of resources, and fund balance	
Liabilities	
Accounts payable	\$ 47,342
Accrued liabilities	<u>118,271</u>
Total liabilities	<u>165,613</u>
Deferred inflows of resources	
Property taxes levied for future periods	<u>4,218,857</u>
Total deferred inflows of resources	<u>4,218,857</u>
Fund balance	
Unassigned	<u>5,295,491</u>
Total fund balance	<u>5,295,491</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 9,679,961</u>

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

LAKE FOREST LIBRARY
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
As of April 30, 2020

Total fund balances - governmental funds	\$	5,295,491
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p> <p>The cost of capital assets (buildings and improvements, furniture and equipment) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Position includes those capital assets among the assets of the Library as a whole.</p>		
Cost of capital assets	\$ 7,583,224	
Depreciation expense to date	<u>(4,734,963)</u>	2,848,261
<p>Deferred outflows of resources related to pensions do not relate to current financial resources and are not included in the Governmental Funds Balance Sheet.</p>		
		309,155
<p>Deferred outflows of resources related to OPEB liability do not relate to current financial resources and are not included in the Governmental Funds Balance Sheet.</p>		
		6,953
<p>Deferred inflows of resources related to pensions do not relate to current financial resources and are not included in the Governmental Funds Balance Sheet.</p>		
		(491,673)
<p>Long-term liabilities applicable to the Library's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. All liabilities - both current and long-term, are reported in the Statement of Net Position.</p>		
Compensated absences	(149,402)	
Capital Lease	(82,475)	
Total OPEB liability	(200,580)	
Net pension liability	<u>(521,685)</u>	(954,142)
Net position of governmental activities	\$	<u>7,014,045</u>

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

LAKE FOREST LIBRARY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND For the Year Ended April 30, 2020

	<u>GENERAL FUND</u>
Revenues	
Property taxes	\$ 4,158,792
Intergovernmental	39,040
Grants and contributions	138,661
Charges for services	28,880
Fines and penalties	8,959
Investment income	<u>111,476</u>
Total revenues	<u>4,485,808</u>
Expenditures	
Library services	
Personnel services	2,220,585
Other	985,198
Library building	
Personnel services	158,712
Other	160,449
Capital Outlay	
Building and office	121,985
Capital improvements	1,073
Debt Service	
Principal	<u>25,102</u>
Total expenditures	<u>3,673,104</u>
Excess of Revenues Over Expenditures	812,704
Other Financing Sources (Uses)	
Capital lease proceeds	<u>105,225</u>
Total Other Financing Sources (Uses)	<u>105,225</u>
Net change in fund balance	917,929
Fund balance, beginning of year	<u>4,377,562</u>
Fund balance, end of year	<u>\$ 5,295,491</u>

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

LAKE FOREST LIBRARY
RECONCILIATION OF THE GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Year Ended April 30, 2020

Net change in fund balances - total governmental funds \$ 917,929

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

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

Depreciation expense	\$ (453,594)	
Capital outlay	<u>327,587</u>	
		(126,007)

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

Compensated absences	15,084	
Capital leases	(80,123)	
Total OPEB liability	3,985	
Net pension liability	893,889	
Deferred outflows of resources related to pensions	(590,727)	
Deferred outflows of resources related to total OPEB liability	5,860	
Deferred inflows of resources related to pensions	<u>(367,280)</u>	
		<u>(119,312)</u>

Change in net position - governmental activities \$ 672,610

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Basis of Presentation

Government-wide Financial Statements

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

Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Preparation

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

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

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

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Measurement Focus, Basis of Accounting, and Financial Statement Preparation (cont.)

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

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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

Deposits and Investments

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

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

- Bonds, notes, certificates of indebtedness, treasury bills, or other securities which are guaranteed by the full faith and credit of the United States of America;
- Bonds, notes, debentures, or other similar obligations of the U.S. government or its agencies;
- Interest-bearing bonds of any county, township, city, incorporated town, municipal corporation, or school district, and the bonds shall be registered in the name of the Library or held under a custodial agreement at a bank, provided the bonds shall be rated at the time of purchase within the four highest general classifications established by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions;
- Interest-bearing savings accounts, interest-bearing certificates of deposit, interest-bearing deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act (205 ILCS 5/1 et. seq.), provided, however, that such investments may be made only in banks which are insured by the Federal Deposit Insurance Corporation (FDIC);
- Commercial paper – issuer must be a United States corporation with more than \$500 million in assets, rating must be within the highest tier (e.g., A-1, P-1, F-1, D-1, or higher) by two standard rating services, must mature within 180 days of purchase, such purchases cannot exceed 10% of the corporation's outstanding obligations, and such purchases cannot exceed one-third of funds;
- Money Market Mutual Funds – registered under the Investment Company Act of 1940 (15 U.S.C.A. § 80a-1 et. seq.), provided the portfolio is limited to bonds, notes, certificates, treasury bills, or other securities which are guaranteed by the full faith and credit of the federal government as to principal and interest;
- Short-term discount obligations of the Federal National Mortgage Association (established by or under the National Housing Act (1201 U.S.C. 1701 et. seq.)), or in shares or other forms of securities legally issuable by savings banks or savings and loans associations incorporated under the laws of Illinois or any other state or under the laws of the United States, provided, however, that the shares or investment certificates of such savings banks or savings and loans associations are insured by the Federal Deposit Insurance Corporation;

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (cont.)

Deposits and Investments (cont.)

- Dividend-bearing share accounts, share certificate accounts, or class of share accounts of a credit union chartered under the law of the State of Illinois or the laws of the United States; provided, however, the principal office of the credit unions must be located within the State of Illinois; and, provided further, that such investments may be made only in those credit union accounts of which are insured by applicable law;
- The Public Treasurer's Investment Pool created under Section 17 of the State Treasurer Act (15 ILCS 505/17) or in a fund managed, operated, and administered by a bank subsidiary of a bank, or subsidiary of a bank holding company, or use the services of such an entity to hold and invest or advice regarding the investment of any public funds; and
- Repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986 (15 U.S.C.A § 780-5) subject to the provisions of that Act and the regulations issued thereunder, provided, however, that such government securities, unless registered or inscribed in the name of the Library, shall be purchased through banks or trust companies authorized to do business in the State of Illinois; and such other repurchase agreements as are authorized in subsection (h) of Section 2 of the Public Funds Investment Act (30 ILCS 235/2). Repurchase agreements may be executed only with approved financial institutions or broker/dealers meeting the Library's established standards, which shall include mutual execution of a Master Repurchase Agreement adopted by the Library.

Custodial Credit Risk - Deposits

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

Credit Risk

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

Property Tax Receivable

Tax bills for levy year 2019 are prepared by Lake County and issued in May 2020 and are payable in two installments, on or about June 1, 2020 and September 1, 2020 or within 30 days of the tax bills being issued.

The county collects such taxes and remits them periodically. The 2019 property tax levy is recognized as a receivable and deferral in fiscal 2020, net the 1.5% allowance for uncollectible. As the taxes become available to finance current expenditures, they are recognized as revenues. At April 30, 2020, the property taxes receivable and property taxes levied for future periods consisted of the estimated amount collectible from the 2019 levy.

Property taxes for levy year 2020 attaches as an enforceable lien on January 1, 2020, on property values assessed as of the same date. Taxes are levied by December following the lien date (by passage of a Tax Levy Ordinance). The 2020 tax levy, which attached as an enforceable lien on the property as of January 1, 2020, has not been recorded as a receivable as of April 30, 2020, as the tax has not yet been levied by the City and will not be levied until December 2020, and therefore, the levy is not measurable at April 30, 2020.

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (cont.)

Capital Assets

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

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

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

Assets	Years
Buildings	30 – 50
Improvements other than buildings	40 – 80
Vehicles, machinery, equipment, and software	3 – 20
Books and materials	6

Deferred Outflows of Resources

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

Compensated Absences

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

Deferred Inflows of Resources

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

Equity Classifications

Fund Balances

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

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

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

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (cont.)

Equity Classifications (cont.)

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

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

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

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

Net Position

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

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

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS

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

	Cash and Cash Equivalents
Cash on hand	\$ 350
Deposits with financial institutions	5,455,582
Total	\$ 5,455,932

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2020

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

CUSTODIAL CREDIT RISK - DEPOSITS

As of April 30, 2020, the Library's bank balances were not subject to custodial credit risk as they were either insured or collateralized with investments held by the Library or its agent, in the Library's name.

Note 3 – Capital Assets

The Library's capital asset activity for the year ended April 30, 2020, was as follows:

	<u><i>Beginning Balance</i></u>	<u><i>Increases</i></u>	<u><i>Decreases</i></u>	<u><i>Ending Balance</i></u>
Capital assets not being depreciated:				
Land	\$ 70,000	\$ -	\$ -	\$ 70,000
Art	168,500	-	-	168,500
Total capital assets not being depreciated	<u>238,500</u>	<u>-</u>	<u>-</u>	<u>238,500</u>
Capital assets being depreciated:				
Buildings	1,180,907	-	-	1,180,907
Improvements other than buildings	2,271,093	-	-	2,271,093
Machinery and equipment	4,007,888	327,587	442,751	3,895,724
Total capital assets being depreciated	<u>7,459,888</u>	<u>327,587</u>	<u>442,751</u>	<u>7,344,724</u>
Less accumulated depreciation for:				
Buildings	747,216	19,713	-	766,929
Improvements other than buildings	1,542,826	63,615	-	1,606,441
Machinery and equipment	2,434,078	370,266	442,751	2,361,593
Total accumulated depreciation	<u>4,724,120</u>	<u>453,594</u>	<u>442,751</u>	<u>4,734,963</u>
Net capital assets being depreciated	<u>2,735,768</u>	<u>(126,007)</u>	<u>-</u>	<u>2,609,761</u>
Total Governmental activities capital assets, net of accumulated depreciation	<u>\$ 2,974,268</u>	<u>\$ (126,007)</u>	<u>\$ -</u>	<u>\$ 2,848,261</u>

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2020

NOTE 4 – LONG-TERM LIABILITIES

During the year ended April 30, 2020, the following is the long-term liability activity for the Library:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Capital lease	\$ 2,352	\$ 105,225	\$ 25,102	\$ 82,475	\$ 34,410
Total OPEB liability	204,565	9,097	13,082	200,580	-
Net pension liability	1,415,574	-	893,889	521,685	-
Compensated absences	164,486	8,061	23,145	149,402	5,000
Total long-term liabilities	<u>\$ 1,786,977</u>	<u>\$ 122,383</u>	<u>\$ 955,218</u>	<u>\$ 954,142</u>	<u>\$ 39,410</u>

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

Lessee – Capital Leases

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

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 34,410	\$ 667	\$ 35,077
2022	34,756	322	35,078
2023	<u>13,309</u>	<u>30</u>	<u>13,339</u>
Total	<u>\$ 82,475</u>	<u>\$ 1,019</u>	<u>\$ 83,494</u>

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2020

NOTE 5 – RETIREMENT SYSTEMS *ILLINOIS MUNICIPAL RETIREMENT FUND*

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

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

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

For Tier 2 participants, pension benefits vest after 10 years of service. Participating members who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with 10 years of service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 1-2/3% of their final rate of earnings for the first 15 years of service credit, plus 2% for each year of service after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased every year after retirement, upon reaching age 67, by the lesser of 3% of the original pension amount or 1/2 of the increase in the Consumer Price Index of the original pension amount.

Contributions. As set by statute, Library employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The statute requires the Library to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Library's actuarially determined contribution rate for calendar year 2019 was 9.58% percent of annual covered payroll. The Library also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Fiduciary Net Position. Detailed information about the IMRF fiduciary net position as of December 31, 2019 is available in the separately issued City of Lake Forest, Illinois Comprehensive Annual Financial Report as of and for the year ended April 30, 2020.

Net Pension Liability. At April 30, 2020, the Library reported a liability for its proportionate share of the net pension liability that reflected the Library's portion of the total net pension liability associated with the City's employer number. The amount recognized by the Library as its proportionate share of the net pension liability, the City's share of the net pension liability, and the total net pension liability associated with the City's employer number were as follows:

Library's proportionate share of the collective net pension liability	\$	521,685
City's proportionate share of the collective net pension liability		4,821,513
 Total	 \$	 <u>5,343,198</u>

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2020

NOTE 5 – RETIREMENT SYSTEMS (cont.)

The net pension liability was measured as of December 31, 2019. The Library's proportion of the net pension liability was based on the Library's share of contributions to IMRF for the fiscal year ended April 30, 2020, relative to the total contributions of the Library and the City during that period. At April 30, 2020, the Library's proportion was 9.76%. The Library's proportion at April 30, 2019 was 9.38%.

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

Actuarial Assumptions. The assumptions used to measure the total pension liability in the December 31, 2019 annual actuarial valuation included a 7.25% investment rate of return, (b) projected salary increases from 3.35% to 14.25%, including inflation, and (c) price inflation of 2.50%. The retirement age is based on experience-based table of rates that are specific to the type of eligibility condition. The tables were last updated for the 2017 valuation pursuant to an experience study of the period 2014-2016.

Mortality. For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

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

Asset Class	Target Allocation	Projected Returns/Risk	
		One Year Arithmetic	Ten Year Geometric
Equities	37.00 %	7.05 %	5.75 %
International equities	18.00 %	8.10 %	7.25 %
Fixed income	28.00 %	3.70 %	3.75 %
Real estate	9.00 %	6.35 %	5.20 %
Alternatives	7.00 %		
Private equity		11.30 %	7.60 %
Hedge funds		N/A	N/A
Commodities		4.65 %	3.60 %
Cash equivalents	1.00 %	1.85 %	1.85 %

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2020

NOTE 5 – RETIREMENT SYSTEMS (cont.)

Discount Rate. The discount rate used to measure the total collective pension liability for IMRF was 7.25%. The discount rate calculated using the December 31, 2018 measurement date was 7.25%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the City's and Library's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease	Current Discount Rate	1% Increase
Library's proportionate share of the collective net pension liability (asset)	\$ <u>2,090,330</u>	\$ <u>521,685</u>	\$ <u>(774,495)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended April 30, 2020, the Library recognized pension expense of \$185,289. The Library reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 141,102	\$ -
Changes in assumptions	105,248	35,820
Net difference between projected and actual earnings on pension plan investments	-	455,853
Contributions subsequent to the measurement date	<u>62,805</u>	<u>-</u>
Total	<u>\$ 309,155</u>	<u>\$ 491,673</u>

The amount reported as deferred outflows resulting from contributions subsequent to the measurement date in the above table will be recognized as a reduction in the net pension liability/(asset) for the year ending April 30, 2021. The remaining amounts reported as deferred outflows and inflows of resources related to pensions \$(245,323) will be recognized in pension expense as follows:

Year Ending December 31	Amount
2020	\$ (1,615)
2021	(72,934)
2022	46,010
2023	<u>(216,784)</u>
Total	<u>\$ (245,323)</u>

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2020

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS

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

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

Employees covered by benefit terms. At April 30, 2020, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	4
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	22
Total	26

Total OPEB liability. The Library's total OPEB liability of \$200,580 was measured as of April 30, 2020, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the April 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.50%
Healthcare participation rate	Currently participating – 16%
Healthcare cost trend rates	Initial – 7.00%; Ultimate – 5.00%

The discount rate was based on the Bond Buyer 20-Bond G.O Index. Bond Rate as of April 30, 2020.

Mortality rates were based on the RP-2014 Study, with rates improved generationally using MP-2016 Improvement Rates.

The actuarial assumptions used in the April 30, 2020 valuation were based on the results of an actuarial experience study conducted by the independent actuary.

Discount rate. At April 30, 2020, the discount rate used to measure the total OPEB liability was a rate of 2.56%, which was a change from the April 30, 2019 rate of 3.79%. The rate was decreased for a better reflection of the current high-quality fixed income environment. The underlying index used was the Bond Buyer 20-Bond G.O. Index.

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2020

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS (cont.)

Changes in the total OPEB liability

	Total OPEB Liability
Balances at April 30, 2019	\$ 204,565
Service cost	1,718
Interest	7,379
Benefit changes	-
Difference between expected and actual experience	-
Changes in assumptions or other inputs	6,686
Benefit payments	(19,768)
Balances at April 30, 2020	\$ 200,580

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.56%) or 1-percentage-point higher (3.56%) than the current discount rate:

	1% Decrease (1.56%)	Discount Rate (2.56%)	1% Increase (3.56%)
Total OPEB liability	\$ 206,228	\$ 200,580	\$ 195,120

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
	(Varies)	(Varies)	(Varies)
Total OPEB liability	\$ 190,623	\$ 200,580	\$ 211,114

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB. For the year ended April 30, 2020, the District recognized OPEB expense of \$9,923. At April 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	6,953	-
Total	\$ 6,953	\$ -

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2020

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS (cont.)

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

Year Ended April 30:	<u>Total</u>
2021	\$ 826
2022	826
2023	826
2024	826
2025	826
Thereafter	<u>2,823</u>
Total	<u>\$ 6,953</u>

NOTE 7 – RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library purchases commercial insurance to cover its risks. The Library has not had significant reductions in insurance coverage during the year nor did settlements exceed insurance coverage in any of the last three years.

LAKE FOREST LIBRARY
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2020

NOTE 8 – EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

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

- Statement No. 87, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests, An Amendment of GASB Statements No. 14 and No. 61)*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans -- An Amendment of GASB Statements No. 14 and No. 84 and a Supersession of GASB Statement No. 32*

The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87, which was postponed by one and a half years.

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

REQUIRED SUPPLEMENTARY INFORMATION

LAKE FOREST LIBRARY

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

For the Year Ended April 30, 2020

	ORIGINAL AND FINAL BUDGET	2020 ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues			
Property taxes	\$ 4,184,193	\$ 4,158,792	\$ (25,401)
Intergovernmental	13,000	39,040	26,040
Grants and contributions	91,000	138,661	47,661
Charges for services	16,200	28,880	12,680
Fines and penalties	7,000	8,959	1,959
Investment income	<u>32,000</u>	<u>111,476</u>	<u>79,476</u>
 Total revenues	 <u>4,343,393</u>	 <u>4,485,808</u>	 <u>142,415</u>
Expenditures			
Library services			
Personnel services	2,414,449	2,220,585	193,864
Other	1,249,855	985,198	264,657
Library building			
Personnel services	183,248	158,712	24,536
Other	245,800	160,449	85,351
Capital Outlay			
Building and office	125,000	121,985	3,015
Capital improvements	125,000	1,073	123,927
Debt Service			
Principal	-	25,102	(25,102)
Contingency	<u>434,335</u>	<u>-</u>	<u>434,335</u>
 Total expenditures	 <u>4,777,687</u>	 <u>3,673,104</u>	 <u>1,104,583</u>
 Excess of revenues over expenditures	 <u>(434,294)</u>	 <u>812,704</u>	 <u>1,246,998</u>
Other Financing Sources (Uses)			
Capital lease proceeds	<u>-</u>	<u>105,225</u>	<u>(105,225)</u>
 Total Other Financing Sources (Uses)	 <u>-</u>	 <u>105,225</u>	 <u>(105,225)</u>
 Net change in fund balance	 <u>\$ (434,294)</u>	 917,929	 <u>\$ 1,141,773</u>
 Fund balance, beginning of year		 <u>4,377,562</u>	
 Fund balance, end of year		 <u>\$ 5,295,491</u>	

See independent auditors' report and accompanying notes to required supplementary information

LAKE FOREST LIBRARY
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF LIBRARY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY AND LIBRARY CONTRIBUTIONS
Five Most Recent Fiscal Years

	2016	2017	2018
Library's proportion of the net pension liability	11.84%	10.90%	10.66%
Library's proportionate share of the net pension liability	\$ 1,526,764	\$ 1,320,867	\$ 127,514
City's proportionate share of the net pension liability	<u>11,368,286</u>	<u>10,802,554</u>	<u>1,068,344</u>
Total net pension liability	<u>\$ 12,895,050</u>	<u>\$ 12,123,421</u>	<u>\$ 1,195,858</u>
Covered-employee payroll	\$ 1,585,497	\$ 1,431,183	\$ 1,412,607
Library's proportionate share of the net pension liability as a percentage of covered payroll	96.30%	92.29%	9.03%
Plan fiduciary net position as a percentage of the total pension liability	86.95%	88.04%	98.83%
Contractually required contribution	\$ 233,902	\$ 177,896	\$ 172,745
Contributions in relation to the contractually required contribution	<u>(235,978)</u>	<u>(182,795)</u>	<u>(177,258)</u>
Contribution deficiency (excess)	<u>\$ (2,077)</u>	<u>\$ (4,899)</u>	<u>\$ (4,513)</u>
Contributions as a percentage of covered employee payroll	14.88%	12.77%	12.55%
		2019	2020
Library's proportion of the net pension liability		9.38%	9.76%
Library's proportionate share of the net pension liability		\$ 1,415,574	\$ 521,685
City's proportionate share of the net pension liability		<u>13,677,279</u>	<u>4,821,513</u>
Total net pension liability		<u>\$ 15,092,853</u>	<u>\$ 5,343,198</u>
Covered-employee payroll		\$ 1,268,262	\$ 1,382,814
Library's proportionate share of the net pension liability		111.62%	37.73%
Plan fiduciary net position as a percentage of the total pension liability		86.17%	95.31%
Contractually required contribution		\$ 156,757	\$ 131,782
Contributions in relation to the contractually required contribution		<u>(158,885)</u>	<u>(132,449)</u>
Contribution deficiency (excess)		<u>\$ (2,128)</u>	<u>\$ (667)</u>
Contributions as a percentage of covered employee payroll		12.53%	9.58%

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

Notes to Schedule:

Amounts reported in 2020 reflect an investment rate of return of 7.25 percent, an inflation rate of 2.5 percent and real return of 4.75 percent, and a salary increase assumption of 3.35 percent to 14.25 percent including inflation.

LAKE FOREST LIBRARY
OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY
AND RELATED RATIOS
Two Most Recent Fiscal Years

	<u>2020</u>	<u>2019</u>
Total OPEB liability		
Service cost	\$ 1,718	\$ 1,620
Interest	7,379	8,019
Other Changes	-	-
Changes of assumptions	6,686	1,221
Benefit payments, including refunds of member contributions	<u>(19,768)</u>	<u>(16,545)</u>
Net change in total OPEB liability	(3,985)	(5,685)
Total OPEB liability - beginning	<u>204,565</u>	<u>210,250</u>
Total OPEB liability - ending	<u>\$ 200,580</u>	<u>\$ 204,565</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
Covered payroll	\$ 1,382,150	\$ 1,467,746
Library's total OPEB liability as a percentage of covered payroll	14.51%	13.94%

Notes to Schedule:

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

LAKE FOREST LIBRARY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED APRIL 30, 2020

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

Budget Process

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

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