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**NORTH RIVERSIDE PUBLIC
LIBRARY DISTRICT**

NORTH RIVERSIDE, ILLINOIS

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2020

NORTH RIVERSIDE PUBLIC LIBRARY DISTRICT

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Year Ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

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To the Board of Trustees of
NORTH RIVERSIDE PUBLIC LIBRARY DISTRICT
North Riverside, Illinois

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **NORTH RIVERSIDE PUBLIC LIBRARY DISTRICT** (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District'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.

Auditor's 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 auditor's 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 District'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 District'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2020, 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.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the accompanying financial information listed as required supplemental information in the table of contents be presented to the 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 supplemental 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying financial information listed as other supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



NORTH RIVERSIDE PUBLIC LIBRARY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

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As management of the North Riverside Public Library District (the "District") we offer readers of the District's financial statements this narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2020. We encourage readers to read this information in conjunction with the District's financial statements.

Financial Highlights

The District's total net position at June 30, 2020 was \$3,703,700, decrease of \$95,380 from June 30, 2019.

The District's governmental activities had revenues of \$1,049,558 in the year ended June 30, 2020 as compared to revenues of \$1,058,611 in the prior year. The District's governmental activities had expenses of \$1,144,938 in the year ended June 30, 2020 as compared to expenses of \$1,009,956 in the prior year. This represented a 0.86% decrease in revenues and 13.37% increase in expenses. The District replaced their HVAC system for \$484,575 during the fiscal year ended June 30, 2020.

Overview of the Financial Statements

Management's discussion and analysis serves as an introduction to the District's financial statements. The basic financial statements include the Governmental Funds Balance Sheet and Statement of Net Position, Governmental Funds Revenues, Expenditures and Changes in Fund Balances and Statement of Activities, and Notes to Financial Statements. The District qualifies as a special-purpose government engaged in only one governmental type activity allowing it to combine the fund and government-wide financial statements. This is done through the use of an adjustment column, on the face of the statements, which reconciles the fund-based statements to the government-wide statements.

Government-wide Financial Statements

The Government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position includes all of the District's assets, liabilities and deferred inflows with the difference reported as net position. Increases and decreases in net position serve as a useful indicator of change in net position and whether the financial position of the District as a whole is improving or deteriorating. Non-financial factors, such as changes in the District's property tax base and condition of the District's buildings and equipment, should be considered regarding the overall health of the District.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All revenues and expenses are included regardless of when cash is received or paid.



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Fund Financial Statements

A fund is a group of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the District's most significant funds rather than the District as a whole. Major funds are reported separately while all other funds are combined into a single aggregated presentation.

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and the balance of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the short-term.

Both the Governmental Funds Balance Sheet and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to assist in understanding the difference between the government-wide and fund financial statements.

In addition to the basic financial statements, notes to the financial statements provide further information to the reader and should be considered an integral part of the financial statements.

Budgetary comparison schedules are also provided as required supplemental information, which is useful in comparing how District expenditures were made in comparison to budgeted amounts.

Financial Analysis

Net position may serve, over time, as a useful indicator of a District's financial position. The District's assets exceeded liabilities and deferred inflows of resources by \$3,703,700 at the end of the fiscal year. Of the net position balance, \$2,305,735 is invested in capital assets, \$752,284 is restricted and \$645,681 is unrestricted net assets.



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Condenses Statement of Net Position

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Assets		
Current assets:		
Cash and investments	\$ 568,820	\$ 728,296
Property tax receivables	487,783	492,071
Prepaid expenses	11,438	-
Total current assets	<u>1,068,041</u>	<u>1,220,367</u>
Noncurrent assets:		
Investments	823,394	832,278
Capital assets	2,605,735	2,230,935
Total noncurrent assets	<u>3,429,129</u>	<u>3,063,213</u>
Total assets	<u>4,497,170</u>	<u>4,283,580</u>
Deferred outflows of resources	<u>273,563</u>	<u>254,880</u>
Total assets and deferred outflows of resources	<u>\$ 4,770,733</u>	<u>\$ 4,538,460</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 45,491	\$ 55,445
Debt Certificates, current	27,000	-
Total current liabilities	<u>72,491</u>	<u>55,445</u>
Long-term liabilities:		
Debt Certificates, long-term	273,000	-
Pension liability	233,759	191,865
Total long-current liabilities	<u>606,250</u>	<u>247,310</u>
Total liabilities	<u>579,250</u>	<u>247,310</u>
Deferred inflows of resources:		
Property taxes	<u>487,783</u>	<u>492,070</u>
Total deferred inflows of resources	<u>487,783</u>	<u>492,070</u>
Net Position		
Net investment in capital assets	2,305,735	2,230,935
Restricted	752,284	778,242
Unrestricted	645,681	789,903
Total net position	<u>3,703,700</u>	<u>3,799,080</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 4,770,733</u>	<u>\$ 4,538,460</u>



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Twenty-four percent of the District's assets at June 30, 2020 were current and consisted of cash, investments, prepaid expenses and property tax receivables. The remainder was noncurrent investments and capital (tangible) assets. Eight percent of liabilities were current and consisted of accounts payable and accrued expenses. The other liabilities were debt certificates and pension liability. Net investment in capital assets of \$2,305,735 was sixty-two percent of total net position and restricted net position of \$752,284 was twenty percent of total net position. The remaining net position was unrestricted net assets of \$645,681.

The following summarizes the revenue and expenses of the District's governmental activities for fiscal year ended June 30, 2020. Governmental activities decreased the District's net position by \$95,380.

Condensed Statement of Activities

	<u>July 1, 2019 to June 30, 2020</u>	<u>July 1, 2018 to June 30, 2019</u>
Revenues		
General Revenues:		
Property taxes	\$ 1,010,591	\$ 971,750
Operating grants	20,016	46,230
Fines and fees	16,214	9,852
Gifts, memorials and donations	9,298	7,605
Investment income	2,323	3,595
Net increase in fair value of investments	(8,884)	19,579
Total revenues	<u>1,049,558</u>	<u>1,058,611</u>
Expenses		
Cultural	579,557	971,796
Capital outlay	550,499	37,109
Interest on long-term debt	4,882	1,051
Debt issuance costs	10,000	-
Total expenses	<u>1,144,938</u>	<u>1,009,956</u>
Change in net position	(95,380)	48,655
Net position, beginning of year	<u>3,799,080</u>	<u>3,750,425</u>
Net position, end of year	<u>\$ 3,703,700</u>	<u>\$ 3,799,080</u>

The Statement of Activities shows the nature and source of the changes in net position. The tax levy collections for the first and second installment were comparable. The increase in operating expenses is due to the District adding additional services and a new adult services department.



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Budget

The District did not amend their budget during the fiscal year. The actual funds received for the general fund were \$942,946 which was \$557,252 lower than budgeted. Actual expenditures for the general fund of \$887,241 were \$307,759 lower than budgeted, due mainly to conservative spending practices.

Financial Analysis of District's Funds

	<u>General</u>	<u>Building</u>	<u>Capital Projects</u>	<u>Other Funds</u>	<u>Total</u>
Total revenues	\$ 942,946	\$ 46,207	\$ -	\$ 60,405	\$ 1,049,558
Total expenditures	887,241	524,987	-	101,561	1,513,789
Excess (deficiency) of revenues over (under) expenditures	55,705	(478,780)	-	(41,156)	(464,231)
Transfers	-	(15,000)	15,000	-	-
Debt certificate proceeds	-	300,000	-	-	300,000
Change in fund balance	55,705	(193,780)	15,000	(41,156)	(164,231)
Fund balance at June 30, 2019	1,384,362	34,805	15,000	93,804	1,527,971
Fund balance at June 30, 2020	<u>\$1,440,067</u>	<u>\$ (158,975)</u>	<u>\$ 30,000</u>	<u>\$ 52,648</u>	<u>\$ 1,363,740</u>

The capital project fund was created by the Board of Trustees to set aside funds for future repairs and maintenance for the District's building. The other fund balances are nonspendable, restricted or committed for specific purposes. \$698,500 of the general fund balance is restricted for the purchase of publications and District programs and \$572,379 is unassigned, and can be used for any purpose.

At the October 21, 2019 board meeting, the Board of Trustees approved a transfer of \$15,000 from the building fund to the capital projects fund to fund future building repairs and maintenance.

Capital Assets

The District's investment in capital assets, net of accumulated depreciation was \$2,605,735 as of June 30, 2020. This was an increase of \$374,800 from June 30, 2019 and was due to the District replacing their HVAC system of \$484,575 during fiscal year ending June 30, 2020.



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The following summarizes capital assets.

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Land	\$ 330,127	\$ 330,127
Building and grounds	3,083,156	3,083,156
Furniture and equipment	777,444	345,390
Library collection	314,520	316,237
Total capital assets	<u>4,505,247</u>	<u>4,074,910</u>
Less: accumulated depreciation	<u>1,899,512</u>	<u>1,843,975</u>
Net capital assets	<u>\$ 2,605,735</u>	<u>\$ 2,230,935</u>

Additional information regarding capital assets may be found in the accompanying notes to the financial statements.

Debt

In February 2020, the District approved to issue general obligation debt certificates for \$472,200 to replace their HVAC system. The District only issued \$300,000 of these debt certificates and has no plans on issuing the remaining certificates. This loan has an annual interest rate of 4.10% and matures on December 1, 2029. At June 30, 2020, the note payable balance was \$300,000.

Additional information regarding debt can be found in the accompanying notes to the financial statements.

Economic Factors Bearing on the District's Future

At the time these financial statements were prepared, the District was aware of the following circumstances that could significantly affect its financial health in the future.

- The District's service area is the same as the boundaries for the Village of North Riverside; as such the District's ability to generate tax receipts is directly linked to the Equalized Assessed Valuation (EAV) of the property within the Village of North Riverside. The EAV decreased from \$264,865,146 to \$260,702,246 in 2019. It is likely to decrease somewhat in the following year due to property tax appeals.
- The minimum wage in Illinois will increase beginning January 1, 2020 with increases due yearly until the minimum wage reaches \$15 per hour on January 1, 2025. Wage increases will also impact the District's contributions to payroll taxes and IMRF.
- Library Systems in Illinois are funded by the State of Illinois. Despite the State's financial constraints, system funds seem to be arriving in a more timely fashion. Resource sharing, delivery of materials, and continuing education continue to be the system's highest priorities for service. RAILS (Reaching Across Illinois Library System) provides a variety of continuing education training opportunities for its members. Most training is offered online or as archived recordings which saves staff time and does not require mileage reimbursement.



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- Public Library Per Capita Grants are funded through the State. The population determined by the 2020 census will have an effect on future grants.
- Anticipated long-term effects of the COVID-19 pandemic include costs for PPE, rising costs for property/liability insurance, lower property values, failure of businesses, lingering unemployment.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, North Riverside Public Library District, 2400 S. Des Plaines Ave., North Riverside, Illinois 60546.

End of Management Discussion and Analysis

NORTH RIVERSIDE PUBLIC LIBRARY DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET AND STATEMENT OF NET POSITION

June 30, 2020

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	<u>General</u>	<u>Building</u>	<u>Capital Projects</u>	<u>Other Funds</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets:							
Current:							
Cash and investments	\$ 475,225	\$ -	\$ 30,000	\$ 63,595	\$ 568,820	\$ -	\$ 568,820
Property tax receivables	436,360	22,283	-	29,140	487,783	-	487,783
Prepaid expenses	6,275	-	-	5,163	11,438	-	11,438
Interfund balances	162,913	-	-	-	162,913	(162,913)	-
Total current	<u>1,080,773</u>	<u>22,283</u>	<u>30,000</u>	<u>97,898</u>	<u>1,230,954</u>	<u>(162,913)</u>	<u>1,068,041</u>
Noncurrent:							
Investments	823,394	-	-	-	823,394	-	823,394
Land (not depreciated)	-	-	-	-	-	330,127	330,127
Other capital assets, net of depreciation	-	-	-	-	-	2,275,608	2,275,608
Total noncurrent	<u>823,394</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>823,394</u>	<u>2,605,735</u>	<u>3,429,129</u>
Total assets	<u>1,904,167</u>	<u>22,283</u>	<u>30,000</u>	<u>97,898</u>	<u>2,054,348</u>	<u>2,442,822</u>	<u>4,497,170</u>
Deferred outflows of resources:							
Deferred amount of IMRF pension	-	-	-	-	-	273,563	273,563
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>273,563</u>	<u>273,563</u>
Total assets and deferred outflows of resources	<u>\$ 1,904,167</u>	<u>\$ 22,283</u>	<u>\$ 30,000</u>	<u>\$ 97,898</u>	<u>\$ 2,054,348</u>	<u>\$ 2,716,385</u>	<u>\$ 4,770,733</u>

NORTH RIVERSIDE PUBLIC LIBRARY DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET AND STATEMENT OF NET POSITION

June 30, 2020

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	<u>General</u>	<u>Building</u>	<u>Capital Projects</u>	<u>Other Funds</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Liabilities:							
Current:							
Accounts payable	\$ 15,815	\$ 9,368	\$ -	\$ 2,804	\$ 27,987	\$ -	\$ 27,987
Accrued payroll	11,925	-	-	-	11,925	-	11,925
Interfund balances	-	149,607	-	13,306	162,913	(162,913)	-
Accrued compensated absences	-	-	-	-	-	4,554	4,554
Accrued interest	-	-	-	-	-	1,025	1,025
Debt certificates	-	-	-	-	-	27,000	27,000
Total current	<u>27,740</u>	<u>158,975</u>	<u>-</u>	<u>16,110</u>	<u>202,825</u>	<u>(130,334)</u>	<u>72,491</u>
Noncurrent:							
Debt certificates	-	-	-	-	-	273,000	273,000
Net pension liability	-	-	-	-	-	233,759	233,759
Total noncurrent	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>506,759</u>	<u>506,759</u>
Total liabilities	<u>27,740</u>	<u>158,975</u>	<u>-</u>	<u>16,110</u>	<u>202,825</u>	<u>376,425</u>	<u>579,250</u>
Deferred inflows of resources:							
Unearned property tax revenue	436,360	22,283	-	29,140	487,783	-	487,783
Total deferred inflows of resources	<u>436,360</u>	<u>22,283</u>	<u>-</u>	<u>29,140</u>	<u>487,783</u>	<u>-</u>	<u>487,783</u>
Fund balances/net position:							
Fund balances:							
Nonspendable	169,188	-	-	5,163	174,351	(174,351)	-
Restricted	698,500	-	-	53,784	752,284	(752,284)	-
Committed	-	-	30,000	9,811	39,811	(39,811)	-
Unassigned	572,379	(158,975)	-	(16,110)	397,294	(397,294)	-
Total fund balances	<u>1,440,067</u>	<u>(158,975)</u>	<u>30,000</u>	<u>52,648</u>	<u>1,363,740</u>	<u>(1,363,740)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,904,167</u>	<u>\$ 22,283</u>	<u>\$ 30,000</u>	<u>\$ 97,898</u>	<u>\$ 2,054,348</u>		<u>\$ 1,067,033</u>
Net position:							
Net investment in capital assets						2,305,735	2,305,735
Restricted						752,284	752,284
Unrestricted						645,681	645,681
Total net position						<u>\$ 3,703,700</u>	<u>\$ 3,703,700</u>

NORTH RIVERSIDE PUBLIC LIBRARY DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2020

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Fund balances - governmental funds	\$ 1,363,740
Capital assets are not current financial resources and therefore are not reported on the Governmental Funds Balance Sheet.	2,605,735
Net deferred outflows/inflows of resources related to IMRF pension is not a current financial resource and therefore is not reported on the Governmental Funds Balance Sheet.	273,563
Liabilities are not due and payable in the current period and therefore are not reported on the Governmental Funds Balance Sheet.	
Accrued compensated absences	(4,554)
Accrued interest	(1,025)
Debt certificates	(300,000)
Net pension liability	<u>(233,759)</u>
Net position of governmental activities	<u>\$ 3,703,700</u>

NORTH RIVERSIDE PUBLIC LIBRARY DISTRICT

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

Year Ended June 30, 2020

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	<u>General</u>	<u>Building</u>	<u>Capital Projects</u>	<u>Other Funds</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:							
Property taxes	\$ 903,979	\$ 46,207	\$ -	\$ 60,405	\$ 1,010,591	\$ -	\$ 1,010,591
Operating grants	20,016	-	-	-	20,016	-	20,016
Fines and fees	16,214	-	-	-	16,214	-	16,214
Gifts, memorials and donations	9,298	-	-	-	9,298	-	9,298
Investment income	2,323	-	-	-	2,323	-	2,323
Net decrease in fair value of investments	(8,884)	-	-	-	(8,884)	-	(8,884)
Total revenues	942,946	46,207	-	60,405	1,049,558	-	1,049,558
Expenditures/expenses:							
Current:							
Cultural	838,996	8,876	-	101,561	949,433	(369,876)	579,557
Debt service:							
Interest	3,857	-	-	-	3,857	1,025	4,882
Issuance costs	-	10,000	-	-	10,000	-	10,000
Capital outlay	44,388	506,111	-	-	550,499	-	550,499
Total expenditures/expenses	887,241	524,987	-	101,561	1,513,789	(368,851)	1,144,938
Excess (deficiency) of revenues over (under) expenditures/expenses	55,705	(478,780)	-	(41,156)	(464,231)	368,851	(95,380)
Other financing sources (uses):							
Transfers	-	(15,000)	15,000	-	-	-	-
Debt certificates proceeds	-	300,000	-	-	300,000	(300,000)	-
Net change in fund balances/net position	55,705	(193,780)	15,000	(41,156)	(164,231)	68,851	(95,380)
Fund balances/net position:							
Beginning of year	1,384,362	34,805	15,000	93,804	1,527,971	2,271,109	3,799,080
End of year	\$ 1,440,067	\$ (158,975)	\$ 30,000	\$ 52,648	\$ 1,363,740	\$ 2,339,960	\$ 3,703,700

NORTH RIVERSIDE PUBLIC LIBRARY DISTRICT

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

Year Ended June 30, 2020

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Net change in fund balances - governmental funds \$ (164,231)

Governmental funds report capital outlays as expenditures.
However, on the Statement of Activities, the cost of these assets is
depreciated over their estimated useful lives.

Expenditures for capital assets in the current year	\$ 564,595	
Current year depreciation	(159,198)	
Loss on disposal of capital assets	<u>(30,597)</u>	
		374,800

Bond proceeds are recorded as other financing source on the fund
financial statements, but as bond payable on the government-wide
financial statements. (300,000)

Some expenses reported on the Statement of Activities do not
require the use of current financial resources and therefore are not
reported as expenditures in governmental funds.

Change in accrued compensated absences from the prior year	18,287	
Change in accrued interest from the prior year	(1,025)	
Change in net deferred outflows/inflows of resources for IMRF pension plan from the prior year	18,683	
Change in net pension liability / asset from the prior year	<u>(41,894)</u>	
Total adjustments		<u>(5,949)</u>

Change in net position of governmental activities \$ (95,380)

NORTH RIVERSIDE PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NORTH RIVERSIDE PUBLIC LIBRARY DISTRICT (the “District”) is located in North Riverside, Illinois. The District was organized under state law to provide cultural and library services to local residents.

In March 2020, the COVID-19 Coronavirus resulted in illnesses and government actions which disrupted economic activity across the United States. As a result of the spread of COVID-19 and the resulting stay-at-home orders issued by the State of Illinois, the District anticipates disruptions to revenue, and its workforce. The extent and duration of these disruptions may be only temporary, however, the related financial impact and duration cannot be reasonably estimated at this time.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments. 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 District’s accounting policies are described below.

A. Reporting Entity

Accounting principles generally accepted in the United States of America require that the financial reporting entity include the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature of significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Based upon these criteria, there are no agencies or entities whose financial data should be combined with and included in the financial statements of the District. Also, the District is not considered a component unit of any other government entity.

B. Basis of Presentation

The fund and government-wide financial statements are combined, with a reconciliation shown between them. Therefore, the Governmental Funds Balance Sheet and Statement of Net Position are combined, and the Governmental Funds Revenues, Expenditures and Changes in Fund Balances and Statement of Activities are combined. The government-wide statements are designed to report the District’s financial position and results of operations as a whole. The fund financial statements are designed to demonstrate legal compliance and to aid financial management by segregating transactions by fund. Program revenues include operating grants, fines and fees.

Major individual governmental funds are reported as separate columns on the fund financial statements and all other funds are combined under a single column. The major funds are the general fund, building fund and capital projects fund. Following is a brief description of the major funds used by the District.

General Fund – The general fund is the general operating fund of the District and accounts for all revenues and expenditures not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. In addition, general operating expenditures and the capital improvement costs that are not paid through other funds are paid from this fund.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Building Fund – The building fund accounts for financial resources used to pay for building maintenance and building improvements.

Capital Projects Fund – The capital projects fund accounts for special resources to be used for the acquisition or construction of capital facilities and equipment.

C. Basis of Accounting

The government-wide statements (Statement of Net Position and Statement of Activities) are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash. Property taxes are recognized as revenue in the year in which they are intended to finance. Interfund balances between funds have been eliminated in the government-wide statements.

Governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in fund equity. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to pay current period liabilities. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter (defined as within 60 days after the fiscal year-end) to be used to pay liabilities of the current period. Material revenues susceptible to accrual include property taxes and operating grant revenue. Expenditures are recognized when the related fund liability is incurred.

D. Investments

Investments held in an Illinois Funds Money Market account and are carried at cost, which approximates market. Investments held in annuities are carried at fair market value.

E. Capital Assets

The accounting treatment for property, plant and equipment (capital assets) depends on whether the assets are reported on the government-wide or fund financial statements.

On the government-wide financial statements capital assets are valued at historical cost, or the estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at the estimated fair value at the date of donation. Depreciation of all exhaustible capital assets is recorded as a cultural expense on the Statement of Activities, with accumulated depreciation reflected on the Statement of Net Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation.

NORTH RIVERSIDE PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The range of estimated useful lives by type of asset is as follows:

Building and grounds	15 – 40 years
Furniture and equipment	5 – 20 years
Library collection (books and audio-visual)	5 years

The minimum capitalization threshold is any item with a total cost greater than \$2,000, except for purchases of books and audio visual, which are always capitalized.

On the fund financial statements, capital assets are accounted for as expenditures of the governmental fund upon acquisition.

F. Compensated Absences

The District's personnel policy permits employees to accumulate earned but unused vacation and sick pay benefits. No liability is recorded for unpaid accumulated sick leave since it is the District's policy to not pay unused sick leave when employees separate from the District. On the fund financial statements, accrued vacation is recorded in the general fund when payable (i.e. upon resignation or retirement). On the government-wide financial statements, accrued vacation is recorded when earned.

G. Deferred Outflows/Inflows of Resources

The District reports deferred outflows of resources on its Statement of Net Position. Deferred outflows of resources represent a consumption of net position that applies to future fiscal years, so will not be recognized as an outflow of resources (expenditure or expense) on the Statement of Activities until then. The District only has one item that qualifies for reporting in this category, the outflows related to the pension, which represents pension items that will be recognized in future periods.

The District also reports deferred inflows of resources on its Governmental Funds Balance Sheet and Statement of Net Position. Deferred inflows of resources represent an acquisition of net position that applies to future fiscal years, so will not be recognized as an inflow of resources (revenue or reduction of expenditure or expense) on the Governmental Funds Revenues, Expenditures and Changes in Fund Balances and Statement of Activities until then. The District only has one item that qualifies for reporting in this category, levied property taxes intended to finance the next fiscal year, which will be recognized as revenue in the next fiscal year.

H. Property Taxes

The District annually establishes a legal right to revenue from property tax assessments upon enactment of a levy ordinance by its Board. Property taxes are recognized as a receivable at the time they are levied. Property tax revenues are recognized in the fiscal year they are intended to finance. In addition, revenue under the modified accrual basis (fund financial statements) is not recognized unless it is also available (collected within 60 days after fiscal year end). Property tax collections and property taxes receivable not recognized as revenue are reported as deferred inflows of resources. Property tax revenues on the fund financial statements are allocated to each fund in accordance with the applicable fund levy amounts.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The second installment of the 2018 levy and the first installment of the 2019 levy were intended to finance the fiscal year ended June 30, 2020. Therefore, the property taxes collected within 60 days of June 30, 2020 for these installments have been recorded as revenue, along with collections of prior levies. The second installment of the 2019 levy is intended to finance the fiscal year ending June 30, 2021. Therefore, the property taxes receivable of this levy as of June 30, 2020 has been recorded as a deferred inflow of resources.

The District recorded an allowance for uncollectible property taxes of 2.00% of the 2019 levy (\$9,955). All uncollected taxes relating to prior years' levies have been written off.

Significant dates for the 2019 levy are as follows:

Lien date	January 1, 2019
Levy date	November 18, 2019
First installment due	March 1, 2020
Second installment due	August 3, 2020

Property taxes are billed and collected by the Cook County, Illinois Treasurer. Property tax bills are typically mailed at least 30 days prior to due dates. Substantially all of the collected taxes for the 2019 tax levy will be received by the District between March 2020 and December 2020.

I. Elimination and Reclassifications

In the process of aggregating data for the government-wide Statement of Activities, some amounts reported as interfund activity and interfund receivables and payables on the fund financial statements may be eliminated or reclassified.

J. Fund Balance

Equity is classified as fund balance on the fund financial statements and displayed in five components:

- Nonspendable includes amounts not in spendable form, such as prepaid expenses or Interfund balances or amounts required to be maintained intact legally or contractually.
- Restricted includes amounts constrained for a specific purpose by external parties.
- Committed includes amounts constrained for a specific purpose by a government using its highest level of decision making authority (the Board of Trustees for the District). This formal action must occur prior to the end of the reporting period, but the amount of the committed balance may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Board of Trustees that originally created the commitment.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- Assigned includes general fund amounts constrained for a specific purpose by the Board of Trustees or by an official who has been delegated authority to assign amounts. The Board of Trustees has not delegated this authority as of June 30, 2020. Additionally, all remaining positive spendable amounts in government funds other than the general fund, that are neither restricted nor committed, are considered assigned. Assignments may take place after the end of the reporting period.
- Unassigned includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

In circumstances where an expenditure relates to amounts available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed, assigned and unassigned fund balances.

K. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District uses restricted resources when an expense is incurred before using unrestricted resources.

L. Estimates

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. DEFINED BENEFIT PENSION PLAN

IMRF Plan Description

The District's defined benefit pension plan for regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The District's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multiple-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

NORTH RIVERSIDE PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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NOTE 2. DEFINED BENEFIT PENSION PLAN - Continued

Benefits Provided

Employees hired *before* January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1½% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired *on or after* January 1, 2011 are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1½% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of:

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

Employees Covered by Benefit Terms

As of December 31, 2019, the following employees were covered by the benefit terms:

	<u>IMRF</u>
Retirees and beneficiaries currently receiving benefits	0
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	<u>8</u>
Total	<u><u>8</u></u>

Contributions

As set by statute, the District’s regular plan members are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The District’s annual contribution rate for calendar year 2019 was 8.99% of members’ wages. For the fiscal year ended June 30, 2020, the District contributed \$35,281 to the plan. The District 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 IMRF’s Board of Trustees, while the supplemental retirement benefits rate is set by statute.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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NOTE 2. DEFINED BENEFIT PENSION PLAN - Continued

Net Pension Liability

The District's net pension liability was measured as of December 31, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2019:

- The Actuarial Cost Method used was Entry Age Normal.
- The Asset Valuation Method used was Market Value of Assets.
- The Inflation Rate was assumed to be 2.50%.
- Salary Increases were expected to be 3.35% to 14.25%.
- The Investment Rate of Return was assumed to be 7.25%.
- Projected Retirement Age was from the Experience-based Table of Rates, specific to the type of eligibility condition. 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 Disability 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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NOTE 2. DEFINED BENEFIT PENSION PLAN - Continued

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

<u>Asset class</u>	<u>Portfolio target percentage</u>	<u>Long-term expected real rate of return</u>
Domestic equity	37%	5.75%
International equity	18%	6.50%
Fixed income	28%	3.25%
Real estate	9%	5.20%
Alternative investments	7%	3.60-7.60%
Cash equivalents	1%	1.85%
Total	100%	

No changes were made to the District’s assumptions.

Single Discount Rate

A Single Discount Rate of 7.25% was used to measure the total pension liability. The projection of cash flow used to determine the Single Discount Rate assumed that the plan members’ contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

- The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
- The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.25%, the municipal bond rate is 2.75% and the resulting single discount rate is 7.25%.

NORTH RIVERSIDE PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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NOTE 2. DEFINED BENEFIT PENSION PLAN – Continued

Changes in the Net Pension Liability

	Total pension liability (A)	Plan fiduciary net position (B)	Net pension liability (A) - (B)
Balances at December 31, 2018	\$ 290,042	\$ 98,177	\$ 191,865
Changes for the year:			
Service cost	28,047	-	28,047
Interest on the total pension liability	22,045	-	22,045
Changes in benefit terms	-	-	-
Differences between expected and actual experience of the total pension liability	46,291	-	46,291
Changes of assumptions	-	-	-
Contributions - employer	-	31,651	(31,651)
Contributions - employee	-	17,728	(17,728)
Net investment income	-	8,096	(8,096)
Benefits payments, including refunds of employee contributions	-	-	-
Other (net transfers)	-	(2,986)	2,986
Net changes	<u>96,383</u>	<u>54,489</u>	<u>41,894</u>
Balances at December 31, 2019	<u>\$ 386,425</u>	<u>\$ 152,666</u>	<u>\$ 233,759</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.25%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% lower (6.25%)	Current discount rate (7.25%)	1% higher (8.25%)
Net pension liability	\$ 448,066	\$ 386,425	\$ 336,180
Plan fiduciary net position	<u>152,666</u>	<u>152,666</u>	<u>152,666</u>
Net pension liability	<u>\$ 295,400</u>	<u>\$ 233,759</u>	<u>\$ 183,514</u>

NORTH RIVERSIDE PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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NOTE 2. DEFINED BENEFIT PENSION PLAN – Continued

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

For the year ended June 30, 2020, the District recognized pension expense of \$58,492 due to employee contributions exceeding the District’s expense. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred amounts related to pensions	Deferred outflows of resources	Deferred inflows of resources
<i>Deferred amounts to be recognized in pension expense in future periods</i>		
Differences between expected and actual experience	\$ 242,791	\$ -
Changes of assumptions	7,424	-
Net difference between projected and actual earnings on pension plan investments	<u>2,773</u>	<u>-</u>
Total deferred amounts to be recognized in pension expense in future periods	252,988	-
<i>Pension contributions made subsequent to the measurement date</i>	<u>20,575</u>	<u>-</u>
Total deferred amounts related to pensions	<u><u>\$ 273,563</u></u>	<u><u>\$ -</u></u>

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

<u>Year ending December 31,</u>	Net deferred outflows of resources
2020	\$ 33,753
2021	33,753
2022	33,755
2023	33,016
2024	32,876
Thereafter	<u>85,835</u>
Total	<u><u>\$ 252,988</u></u>

NORTH RIVERSIDE PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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NOTE 3. CASH AND INVESTMENTS

Reconciled cash and investments were as follows at June 30, 2020:

First American Bank - Maxrate public funds account	\$ 466,758
Chase Bank - Money market account	7,766
Annuities	823,394
Illinois Funds (investment pool - does not require categorization)	94,296
Total cash and investments	<u>\$ 1,392,214</u>

The District's investment policy (the "policy") authorizes the District to invest in obligations of the U.S. government and its agencies, interest-bearing savings account, certain short-term obligations of U.S. corporations, money market mutual funds, certificates of deposit, Illinois Public Treasurer's Investment Pool (Illinois Funds), and other securities authorized by the Illinois Public Funds Investment Act. The District purchased four annuities with Athene Annuity and Life Company ("Athene"). These annuities are not permitted according to the District's investment policy.

The District's deposits and investments are subject to the following risks:

- Custodial credit risk is the risk that the District will not be able to recover its deposits with financial institutions in the event of the failure of the financial institutions. The District's policy limits this risk by only allowing deposits in Federally Insured or Licensed Institutions Permitted to Hold Public Funds, provided that such investments shall not exceed federal insurance limits. The District's policy limits this risk by only allowing investments in securities guaranteed by the United States government or in FDIC insured institutions.
- Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations, resulting in investment losses by the District. The District's policy limits this risk by requiring uninsured investments be collateralized by securities or mortgages in an amount equal to at least fair market value of the uninsured amount. The District's annuities are not collateralized by securities or mortgages equal to the fair market value of their balances. There is a risk Athene could fail and the District would not receive full value of these annuities.
- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy does not limit the term of investments to specific maturities.
- Concentration of credit risk is the risk of loss attributed to funds being concentrated in a limited number of investments. The District's policy does not restrict the amount of investments in any one issue. More than 5% of the District's investments are in annuities. This investment comprises 60% of the District's total cash and investments at June 30, 2020.

NORTH RIVERSIDE PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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NOTE 3. CASH AND INVESTMENTS – Continued

Illinois Funds

Illinois Funds is an investment pool managed by the State of Illinois, Office of Treasurer, which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company but operates in a manner consistent with Rule 2(a)7 of the Investment Company Act of 1940. Illinois Funds is rated AAAM by Standard & Poor's. Investments in Illinois Funds are valued at Illinois Funds' share price, which is the price the investment could be sold. Illinois Funds issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained on-line at www.treasurer.il.gov.

The District's deposits with financial institutions were categorized as follows at June 30, 2020:

Insured by federal depository insurance	\$ 257,766
Collateralized by securities held by the pledging financial institution's trust department or agent in the District's name	256,902
Collateralized by securities held by the pledging financial institution's trust department or agent, but not in the District's name	-
Uncollateralized	-
Total deposits with financial institutions	<u>\$ 514,668</u>

Athene has a rating of "A" with A.M. Best, S&P and Fitch as of the Independent Auditor's Report Date. The District receives annual statements and estimated the value of these annuities based on these statements at June 30, 2020. The following table presents the reported values and purchase dates of the District's investment in annuities (using the specific identification method) for the governmental funds as of June 30, 2020:

	<u>Annuity #1</u>	<u>Annuity #2</u>	<u>Annuity #3</u>	<u>Annuity #4</u>	<u>Total</u>
Purchase date	8/14/2014	9/10/2014	8/28/2015	6/6/2017	
Maturity date	8/14/2042	9/10/2042	8/28/2043	6/6/2045	
Fair market value	\$ 250,502	\$ 116,394	\$ 402,915	\$ 53,583	\$ 823,394
Cash surrender value	216,333	100,489	350,334	45,502	712,659
Difference	<u>\$ 34,169</u>	<u>\$ 15,905</u>	<u>\$ 52,581</u>	<u>\$ 8,081</u>	<u>\$ 110,735</u>

The maturity date is the earlier of the annuity maturity date or death of the annuitant. The cash surrender value is the value of the annuity if the District requests the balance prior to the annuity maturity date. In addition, after twelve years, the District is allowed to request a principal portion of the annuity without penalties being assessed. It is the District's intent to hold the annuities until maturity date or the death of the annuitant.

NORTH RIVERSIDE PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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NOTE 3. CASH AND INVESTMENTS – Continued

Annuities #1 and #2 earnings are based on the S&P 500 Index.

Annuity #3 earnings are based on the Hang Seng, Eurostoxx 50 and S&P 500 Indexes.

Annuity #4 earnings are based on the Merrill Lynch RPM Index.

The indexes for the four annuities can be changed or adjusted on an annual basis by the District. Also, all annuities guarantee that investment returns will never be negative.

Investment Type	Credit Rating	Fair Value	Investment Maturities			
			Less than one year	One to five years	Six to ten years	More than ten years
Annuities	N/A	\$ 823,394	\$ -	\$ -	\$ -	\$ 823,394
Total		<u>\$ 823,394</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 823,394</u>

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit on the Statement of Net Position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The investments' fair value measurements are as follows at June 30, 2020:

Investment Type	Level 1 inputs	Level 2 inputs	Level 3 inputs
Annuities	\$ -	\$ 823,394	\$ -
	<u>\$ -</u>	<u>\$ 823,394</u>	<u>\$ -</u>

NOTE 4. RISK OF LOSS

The District is exposed to various risks of loss through property ownership, employee injury, liability of employees, actions of elected officials and other risks. The District purchased commercial insurance policies to overcome these risks. There was no significant decrease in coverage from the prior year, and claims have not exceeded coverage in the last three years.

NORTH RIVERSIDE PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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NOTE 5. CAPITAL ASSETS

Following is a summary of changes in the capital assets for the year ended June 30, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets, not depreciable:				
Land	\$ 330,127	\$ -	\$ -	\$ 330,127
Total capital assets, not depreciable	330,127	-	-	330,127
Capital assets, depreciable:				
Building and grounds	3,083,156	-	-	3,083,156
Furniture and equipment	345,390	501,903	(69,849)	777,444
Library collection	316,237	62,692	(64,409)	314,520
Total capital assets, depreciable	3,744,783	564,595	(134,258)	4,175,120
Less accumulated depreciation for:				
Building	(1,438,992)	(76,054)	-	(1,515,046)
Furniture and equipment	(244,752)	(20,069)	39,252	(225,569)
Library collection	(160,231)	(63,075)	64,409	(158,897)
Total accumulated depreciation	(1,843,975)	(159,198)	103,661	(1,899,512)
Capital assets, net	<u>\$ 2,230,935</u>	<u>\$ 405,397</u>	<u>\$ (30,597)</u>	<u>\$ 2,605,735</u>

NOTE 6. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable:					
2020 debt certificates	\$ -	\$ 300,000	\$ -	\$ 300,000	\$ 27,000
Other liabilities:					
Accrued compensated absences	22,841	42,935	(61,222)	4,554	4,554
Accrued interest	-	1,025	-	1,025	1,025
Net pension liability	191,865	41,894	-	233,759	-
Total long-term liabilities	<u>\$ 214,706</u>	<u>\$ 385,854</u>	<u>\$ (61,222)</u>	<u>\$ 539,338</u>	<u>\$ 32,579</u>

NORTH RIVERSIDE PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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NOTE 6. LONG-TERM LIABILITIES - Continued

General obligation (limited tax) debt certificates, series 2020 of \$472,200 were issued in February 2020. The District only issued \$300,000 of these certificates, and as of the Auditor's Report date, has no plans to issue the remaining certificates. These certificates bear a fixed interest rate of 4.10%. They require semi-annual interest payments on June 1st and December 1st and annual principal payments on December 1st. Principal payments begin in December 2020 and end in December 2029. Principal payments range from \$25,700 to \$35,400. The balance at June 30, 2020 was \$300,000.

The general fund will be used to liquidate the general obligation 2020 debt certificates series, accrued compensated absences and accrued interest, and the IMRF Fund is used to liquidate the net pension liability.

The combined aggregated amounts of maturities for all borrowings at June 30, 2020 were as follows:

<u>Fiscal year ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2021	\$ 27,000	\$ 11,747	\$ 38,747
June 30, 2022	25,700	10,666	36,366
June 30, 2023	26,700	9,592	36,292
June 30, 2024	27,800	8,475	36,275
June 30, 2025	28,900	7,312	36,212
Thereafter	163,900	17,341	181,241
	<u>\$ 300,000</u>	<u>\$ 65,133</u>	<u>\$ 365,133</u>

A computation of the legal debt margin of the District as of June 30, 2020 is as follows:

Equalized assessed valuation 2019	\$ 260,702,246
Legal debt limit - 2.875%	\$ 7,495,190
Amount of debt applicable to limit	(300,000)
Estimated legal debt margin	<u>\$ 7,195,190</u>

NORTH RIVERSIDE PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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NOTE 7. FUND BALANCE CLASSIFICATIONS

The following is a schedule of fund balance classifications for the government funds at June 30, 2020:

	<u>General</u>	<u>Building</u>	<u>Capital Projects</u>	<u>Other Funds</u>
Fund balance:				
Nonspendable for short-term loans to other funds:				
Interfund loans	\$ 162,913	\$ -	\$ -	\$ -
Prepaid expenses	6,275	-	-	5,163
Restricted due to enabling legislation (tax levy) for:				
Liability insurance	-	-	-	51,402
Audit	-	-	-	1,153
Unemployment insurance	-	-	-	1,229
Restricted for purchase of publications or programs	698,500	-	-	-
Committed by Board of Trustees for:				
Capital projects	-	-	30,000	-
Audit	-	-	-	6,000
Unemployment insurance	-	-	-	2,068
Social Security	-	-	-	1,743
Unassigned	572,379	(158,975)	-	(16,110)
Total fund balances	<u>\$ 1,440,067</u>	<u>\$ (158,975)</u>	<u>\$ 30,000</u>	<u>\$ 52,648</u>

NOTE 8. RESTRICTED NET POSITION

The following is a schedule of restricted net position on the Statement of Net Position at June 30, 2020. These balances are restricted by tax levies or by the contributor.

Restricted by contributor for:	
Purchase of publications or programs	\$ 698,500
Restricted by tax levies for:	
Liability insurance	51,402
Audit	1,153
Unemployment insurance	1,229
Total restricted by tax levies	<u>53,784</u>
Total restricted net position	<u>\$ 752,284</u>

NORTH RIVERSIDE PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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NOTE 9. DEFERRED COMPENSATION

The District has a 457 deferred compensation plan. Employees may make voluntary contributions to the plan within the limits allowed by Internal Revenue Service Code Section 457.

NOTE 10. OTHER FUND DISCLOSURES

Accounting principles generally accepted in the United States of America require disclosure of certain information concerning individual funds including:

The following funds had deficit balances at June 30, 2020:

Major fund - building fund	<u>\$ (158,975)</u>
Non-major fund - IMRF fund	<u>\$ (16,110)</u>

The following interfund balances existed as of June 30, 2020:

Due from building fund to general fund	<u>\$ 149,607</u>
Due from other funds to general fund	<u>\$ 13,306</u>

The District's interfund balances were made to cover the expenditures of the building fund and IMRF fund. The loan is expected to be paid in full by June 30, 2021.

A fund transfer of \$15,000 was made from the building fund to the capital projects fund. This transfer was approved by the Board of Trustees for future operating expenses of the capital project fund.

NOTE 11. SUBSEQUENT EVENTS

The District has evaluated events subsequent to June 30, 2020 for possible adjustment or disclosure to the accompanying financial statements. This evaluation was done through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

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***REQUIRED
SUPPLEMENTAL INFORMATION***

NORTH RIVERSIDE PUBLIC LIBRARY DISTRICT

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

ESTIMATED RECEIPTS AND APPROPRIATIONS COMPARED TO ACTUAL

Year Ended June 30, 2020

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	Original / Final Budget	Actual	Over (Under) Budget
Revenues:			
Property taxes	\$ 750,198	\$ 903,979	\$ 153,781
Other revenues:			
Operating grants	719,500	20,016	(699,484)
Fines and fees	15,000	16,214	1,214
Gifts, memorials and donations	15,000	9,298	(5,702)
Investment income	500	2,323	1,823
Net decrease in fair value of investments	-	(8,884)	(8,884)
Total other revenues	<u>750,000</u>	<u>38,967</u>	<u>(711,033)</u>
Total revenues	1,500,198	942,946	(557,252)
Expenditures:			
Cultural:			
Salaries	532,000	512,940	(19,060)
Audio visual materials	23,000	12,724	(10,276)
Books	69,000	57,852	(11,148)
Periodicals	11,000	5,327	(5,673)
Other media	28,500	8,355	(20,145)
Library programs	53,500	11,302	(42,198)
Office supplies	21,000	18,083	(2,917)
Printing	11,000	8,720	(2,280)
Postage	5,200	3,069	(2,131)
Legal fees	12,000	2,871	(9,129)
Public information	12,000	2,286	(9,714)
Health insurance	45,000	24,781	(20,219)
Library promotion and miscellaneous service fees	38,500	9,046	(29,454)
Utilities	52,700	32,790	(19,910)
Telephone	18,500	17,406	(1,094)
Contingency	10,000	7,494	(2,506)
Petty cash	600	-	(600)
Strategic initiatives	7,500	1,061	(6,439)
Accounting	19,500	12,575	(6,925)
Service contracts	68,000	57,142	(10,858)
Grants	-	25,426	25,426
Professional education and training - trustees	1,000	99	(901)
Professional education and training - staff	4,500	7,647	3,147
Total cultural expenditures	<u>1,044,000</u>	<u>838,996</u>	<u>(205,004)</u>

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NORTH RIVERSIDE PUBLIC LIBRARY DISTRICT

**GENERAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
ESTIMATED RECEIPTS AND APPROPRIATIONS COMPARED TO ACTUAL**
Year Ended June 30, 2020

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Continued from previous page...

	<u>Original / Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Debt service:			
Interest	<u>53,000</u>	<u>3,857</u>	<u>(49,143)</u>
Total debt service	<u>53,000</u>	<u>3,857</u>	<u>(49,143)</u>
Capital outlay:			
Information technology	<u>98,000</u>	<u>44,388</u>	<u>(53,612)</u>
Total capital outlay	<u>98,000</u>	<u>44,388</u>	<u>(53,612)</u>
Total expenditures	<u>1,195,000</u>	<u>887,241</u>	<u>(307,759)</u>
Net change in fund balance	<u>\$ 305,198</u>	<u>55,705</u>	<u>\$ (249,493)</u>
Fund balance, beginning		<u>1,384,362</u>	
Fund balance, ending		<u>\$ 1,440,067</u>	

NORTH RIVERSIDE PUBLIC LIBRARY DISTRICT

**BUILDING FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
ESTIMATED RECEIPTS AND APPROPRIATIONS COMPARED TO ACTUAL**
Year Ended June 30, 2020

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	<u>Original / Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	\$ 311,316	\$ 46,207	\$ (265,109)
Total revenues	311,316	46,207	(265,109)
Expenditures:			
Cultural:			
Building supplies and maintenance	38,000	7,328	(30,672)
Building repairs	169,000	1,023	(167,977)
Casual labor and fees	10,900	525	(10,375)
Total cultural expenditures	217,900	8,876	(209,024)
Debt service:			
Debt issuance costs	-	10,000	10,000
Capital outlay	758,000	506,111	(251,889)
Total expenditures	975,900	524,987	(450,913)
Excess (deficiency) of revenues over (under) expenditures	(664,584)	(478,780)	185,804
Other financing sources (uses):			
Transfers	-	(15,000)	(15,000)
Debt certification proceeds	480,000	300,000	(180,000)
Net change in fund balance	<u>\$ (184,584)</u>	(193,780)	<u>\$ (9,196)</u>
Fund balance, beginning		34,805	
Fund balance, ending		<u>\$ (158,975)</u>	

NORTH RIVERSIDE PUBLIC LIBRARY DISTRICT**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

June 30, 2020

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Calendar year ended December 31,

	<u>2019</u>	<u>2018</u>
Total pension liability:		
Service cost	\$ 28,047	\$ 24,570
Interest on the total pension liability	22,045	921
Change in benefit terms	-	-
Differences between expected and actual experience of the total pension liability	46,291	255,157
Changes of assumptions	-	9,394
Benefit payments, including refunds of employee contributions	-	-
Net change in total pension liability	<u>96,383</u>	<u>290,042</u>
Total pension liability - beginning	<u>290,042</u>	<u>-</u>
Total pension liability - ending (A)	<u>\$ 386,425</u>	<u>\$ 290,042</u>
Plan fiduciary net position:		
Contributions - employer	\$ 31,651	\$ 7,349
Contributions - employee	17,728	91,210
Net investment income	8,096	-
Benefit payments, including refunds of employee contributions	-	-
Other (net transfer)	<u>(2,986)</u>	<u>(382)</u>
Net change in plan fiduciary net position	<u>54,489</u>	<u>98,177</u>
Plan fiduciary net position - beginning	<u>98,177</u>	<u>-</u>
Plan fiduciary net position - ending (B)	<u>\$ 152,666</u>	<u>\$ 98,177</u>
Net pension liability - ending (A) - (B)	<u>\$ 233,759</u>	<u>\$ 191,865</u>
Plan fiduciary net position as a percentage of the total pension liability	39.51%	33.85%
Covered valuation payroll	\$ 342,652	\$ 81,748
Net pension liability as a percentage of covered valuation payroll	68.22%	234.70%

Notes to schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, the District didn't become a member of IMRF until October 1, 2018.

NORTH RIVERSIDE PUBLIC LIBRARY DISTRICT

SCHEDULE OF EMPLOYER CONTRIBUTIONS

June 30, 2020

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Calendar year ended December 31,	Actuarially determined contribution (a)	Actual contribution (b)	Contribution deficiency (excess) (b-a)	Covered valuation payroll (c)	Actual contribution as a percentage of covered valuation payroll (b/c)
2019	\$ -	\$ 31,651	\$ (31,651)	\$ 342,652	9.24%
2018	-	7,349	(7,349)	81,748	8.99%

Note to schedule:

The District became a member of IMRF on October 1, 2018.

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2020

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NOTE 1. BUDGETS

Budgets for funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The following procedures are used to establish the budgets:

- (a) The District's Director submits a proposed operating budget to the Board of Trustees for approval.
- (b) The Board of Trustees makes any adjustments to the budget deemed necessary and approves the proposed budget and appropriation ordinance.
- (c) Notice is published in a newspaper that the tentative Annual Budget and Appropriation Ordinance of the District is available for inspection and then is subsequently presented at a public hearing.
- (d) The District's Board of Trustees adopts the Annual Budget and Appropriation Ordinance after the public hearing.

Expenditures may not legally exceed the budgeted appropriations at the fund level. The budget may be amended by the District's Board of Trustees. There were no amendments to the budget for the year ended June 30, 2020.

NOTE 2. EXCESS OF ACTUAL EXPENDITURES OVER BUDGET

Expenditures did not exceed the appropriations for the year ended June 30, 2020 for the general fund or the building fund.

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2020

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NOTE 3. SCHEDULE OF EMPLOYER CONTRIBUTION

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2019 Contribution Rate*

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2019 Contribution Rates

<i>Actuarial Cost Method:</i>	Aggregate entry age normal
<i>Amortization Method:</i>	Level percentage of payroll, closed
<i>Remaining Amortization Period:</i>	24-year closed period
<i>Asset Valuation Method:</i>	5-year smoothed market; 20% corridor
<i>Wage Growth:</i>	3.25%
<i>Price Inflation:</i>	2.50%
<i>Salary Increases:</i>	3.35% to 14.25%, including inflation
<i>Investment Rate of Return:</i>	7.50%
<i>Retirement Age:</i>	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2014-2016.
<i>Mortality:</i>	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.

Other Information:

Notes There were no benefit changes during the year.

*Based on Valuation Assumptions used in the December 31, 2017 actuarial valuation.

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***OTHER
SUPPLEMENTAL INFORMATION***

NORTH RIVERSIDE PUBLIC LIBRARY DISTRICT

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**OTHER FUNDS
COMBINING BALANCE SHEET
June 30, 2020**

SPECIAL REVENUE FUNDS

	Liability Insurance	Audit	Unemploy. Insurance	IMRF	Social Security	Total
Assets:						
Cash and investments	\$ 51,402	\$ 7,153	\$ 3,297	\$ -	\$ 1,743	\$ 63,595
Property tax receivables	2,081	3,428	735	6,122	16,774	29,140
Prepaid expenses	5,163	-	-	-	-	5,163
Total assets	\$ 58,646	\$ 10,581	\$ 4,032	\$ 6,122	\$ 18,517	\$ 97,898
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 2,804	\$ -	\$ 2,804
Interfund balances	-	-	-	13,306	-	13,306
Total liabilities	-	-	-	16,110	-	16,110
Deferred inflows of resources:						
Unearned property tax revenue	2,081	3,428	735	6,122	16,774	29,140
Total deferred inflows of resources	2,081	3,428	735	6,122	16,774	29,140
Fund balances:						
Nonspendable	5,163	-	-	-	-	5,163
Restricted	51,402	1,153	1,229	-	-	53,784
Committed	-	6,000	2,068	-	1,743	9,811
Unassigned	-	-	-	(16,110)	-	(16,110)
Total fund balances	56,565	7,153	3,297	(16,110)	1,743	52,648
Total liabilities, deferred inflows of resources and fund balances	\$ 58,646	\$ 10,581	\$ 4,032	\$ 6,122	\$ 18,517	\$ 97,898

NORTH RIVERSIDE PUBLIC LIBRARY DISTRICT

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**OTHER FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**
Year Ended June 30, 2020

	SPECIAL REVENUE FUNDS					
	<u>Liability Insurance</u>	<u>Audit</u>	<u>Unemploy. Insurance</u>	<u>IMRF</u>	<u>Social Security</u>	<u>Total</u>
Revenues:						
Property taxes	\$ 4,383	\$ 7,099	\$ 1,669	\$ 12,652	\$ 34,602	\$ 60,405
Total revenues	4,383	7,099	1,669	12,652	34,602	60,405
Expenditures:						
Liability insurance	16,959	-	-	-	-	16,959
Audit fees	-	10,028	-	-	-	10,028
Unemployment insurance	-	-	440	-	-	440
Pension	-	-	-	35,281	-	35,281
Social security	-	-	-	-	38,853	38,853
Total expenditures	16,959	10,028	440	35,281	38,853	101,561
Net change in fund balances	(12,576)	(2,929)	1,229	(22,629)	(4,251)	(41,156)
Fund balances:						
Beginning of year	69,141	10,082	2,068	6,519	5,994	93,804
End of year	<u>\$ 56,565</u>	<u>\$ 7,153</u>	<u>\$ 3,297</u>	<u>\$ (16,110)</u>	<u>\$ 1,743</u>	<u>\$ 52,648</u>