

**SCHAUMBURG TOWNSHIP
DISTRICT LIBRARY
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**



Contents

INDEPENDENT AUDITOR'S REPORT.....1

MANAGEMENT’S DISCUSSION AND ANALYSIS..... 3

BASIC FINANCIAL STATEMENTS

 Governmental Funds Balance Sheet and Statement of Net Position..... 7

 Governmental Funds Statement of Revenues, Expenditures,
 and Changes in Fund Balances and Statement of Activities.....8

 Notes to Financial Statements.....9

REQUIRED SUPPLEMENTARY INFORMATION

 General Fund – Schedule of Revenues and Expenditures – Estimated
 Receipts and Appropriations Compared to Actual.....19



Independent Auditor's Report

Board of Trustees
Schaumburg Township District Library
Schaumburg, Illinois

We have audited the accompanying financial statements of the governmental activities and each major fund of Schaumburg Township District Library as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the 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.

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 entity'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 entity'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 and each major fund of the Schaumburg Township District Library, as of June 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.

Independent Auditor's Report

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 3 through 6 and 19 through 20 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.

McClure, Inserra & Co., Chtd.

November 10, 2020

Management's Discussion and Analysis

As management of Schaumburg Township District Library, we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Overview of the Financial Statements

Management's discussion and analysis serves as an introduction to the Library's financial statements. The statements presented include a Governmental Funds Balance Sheet and Statement of Net Position, a Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances and Statement of Activities, and notes to the financial statements. The Library 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 accounting to the government-wide statements.

Financial Highlights

The Library's total net position, as of June 30, 2020 and 2019 were \$47,554,476 and \$47,262,682, respectively. Net position increased by \$291,794 and \$1,171,399 for the years ended June 30, 2020 and 2019, respectively. The term "net position" represents the difference between total assets/deferred outflows of resources and total liabilities/deferred inflows of resources

Financial Statements

The financial statements of the Library are intended to provide the reader with an understanding of the financial position of the Library as of the close of the fiscal year and the results of activities for the year then ended. The fund financial statements focus on current financial resources while government-wide financial statements are similar to a private-sector business.

The Governmental Funds Balance Sheet and Statement of Net Position provides information on the Library's assets/deferred outflows of resources and liabilities/deferred inflows of resources. The difference between these two statements is that governmental fund balances represent current financial resources reporting and net position represents government-wide reporting. Increases in fund balances and net position occur when revenues exceed expenses. Information is presented for each major fund or group of funds and shows any restrictions on the fund or net position.

The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities reflects the results of the Library's revenues, expenditures and activities during the year and the corresponding effect on fund and net position balances. This statement shows the source of Library revenues and how those revenues were used to provide Library services.

Notes to the financial statements provide additional information that is essential for a full understanding of the information provided in the basic financial statements. Required Supplementary Information consists of a comparison of estimated receipts and appropriations to actual revenues and expenditures.

Financial Analysis

Net position may serve, over time, as a useful indicator of a government's financial position. The Library's assets exceed liabilities/deferred inflows of resources by \$47,554,476 as of the close of the year. Of the Net Position balance, \$4,764,095 is restricted, \$16,994,624 is unrestricted and \$25,795,757 is net investment in capital assets.

Management's Discussion and Analysis

Condensed Statement of Net Position

	June 30,	
	2020	2019
Current and Other Assets	\$ 30,035,134	\$ 29,823,532
Capital Assets, net of accumulated depreciation	25,795,757	25,388,493
Total Assets	55,830,891	55,212,025
Current Liabilities	1,101,168	544,512
Non-Current Liabilities	298,871	158,310
Total Liabilities	1,400,039	702,822
Deferred Inflows of Resources	6,876,376	7,246,521
Total Liabilities and Deferred Inflows of Resources	8,276,415	7,949,343
Net Position		
Net Investment in Capital Assets	25,795,757	25,388,493
Restricted	4,764,095	4,764,095
Unrestricted	16,994,624	17,110,094
Total Net Position	\$ 47,554,476	\$ 47,262,682

Condensed Statement of Activities

	For Years Ended June 30,	
	2020	2019
Revenues		
Property and Replacement Taxes	\$ 15,035,965	\$ 15,794,039
Investment Income	411,826	450,226
Grants	182,019	27,000
Fines and Fees	128,855	216,176
Miscellaneous	61,445	46,714
Total Revenues	15,820,110	16,534,155
Expenses		
Materials	605,199	586,972
Salaries and Benefits	10,096,476	9,650,694
Administration	2,503,934	2,637,906
Capital Improvements	50,258	153,710
Depreciation	2,272,449	2,328,971
Contingency	-	4,503
Total Expenses	15,528,316	15,362,756
Increase in Net Position	291,794	1,171,399
Net Position, Beginning of Year	47,262,682	46,091,283
Net Position, End of Year	\$ 47,554,476	\$ 47,262,682

Management's Discussion and Analysis

The following is a summary of changes in fund balances for the year ended June 30, 2020:

Governmental Funds	Fund Balance June 30, 2019	Increase (Decrease)	Fund Balance June 30, 2020
General	\$ 6,075,543	\$ 207,727	\$ 6,283,270
Working Cash	5,526,080	(4,117)	5,521,963
Special Reserve	10,430,876	(178,519)	10,252,357
	<u>\$ 22,032,499</u>	<u>\$ 25,091</u>	<u>\$ 22,057,590</u>

Budgetary Highlights

The Library's General Fund expended \$14,006,343 which was \$2,859,465 less than the appropriation of \$16,865,808. The appropriation sets the maximum spending limits for the fiscal year. Notable under-budget variances occurred in the area of salaries and benefits which was attributable to staff vacancies, delays in hiring for budgeted positions, and a reduction in operating hours due to COVID-19. Shelter in place mandates also resulted in a reduction of other operating expenses such as material purchases, programming expenditures, staff development and utilities. At the end of Fiscal Year 2020, the board approved a transfer of \$1,600,000 from the General fund to the Special Reserve fund. Special Reserve fund balances will finance large capital expenditures projected over the next five years. Included in these projects is completion of the renovation of the circulation area, a roof replacement, planning and renovation of the second floor of the main Library branch as well as capital projects addressed in the most recent capital assessment reports for the main branch and satellite locations.

Capital Assets

The following is a summary of capital assets, net of accumulated depreciation:

	June 30,	
	2020	2019
Land	\$ 3,755,513	\$ 3,755,513
Construction in Progress	1,533,528	-
Artwork	168,989	168,989
Building and Improvements	30,017,730	30,017,730
Furniture and Equipment	3,494,654	3,409,028
Vehicles	70,648	63,380
Books and Library Materials	<u>11,500,826</u>	<u>11,409,349</u>
Cost of Capital Assets	50,541,888	48,823,989
Less Accumulated Depreciation	<u>24,746,131</u>	<u>23,435,496</u>
Net Capital Assets	<u>\$ 25,795,757</u>	<u>\$ 25,388,493</u>

Significant capital asset acquisitions during the year included the acquisition of furniture and equipment, and books and other library materials. Notable capital improvements included renovation to the circulation area, as well as equipment replacements to the HVAC and telephone systems. Trends reallocating the purchase of electronic resources from physical books and materials have resulted in a decrease in the capitalization of books and library materials. Additional information regarding the Library's capital assets can be found in Note 4 on page 15.

Management's Discussion and Analysis

Description of Current or Expected Conditions

Currently, management is not aware of any changes in conditions that could have a significant effect on the financial position or results of activities of the Library in the near future, except for the possible effect of the COVID-19 pandemic on the future operations of the Library. See Note 13 on page 18.

Requests for Information

This financial report is designed to provide a general overview of the Library's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Schaumburg Township District Library, 130 S. Roselle Rd., Schaumburg, Illinois 60193.

Basic Financial Statements

SCHAUMBURG TOWNSHIP DISTRICT LIBRARY
GOVERNMENTAL FUNDS BALANCE SHEET
AND
STATEMENT OF NET POSITION
JUNE 30, 2020

	GENERAL FUND	WORKING CASH FUND	SPECIAL RESERVE FUND	TOTAL	ADJUSTMENTS (Note 11)	STATEMENT OF NET POSITION
ASSETS						
Cash and Investments	\$ 7,590,512	\$ 5,521,963	\$ 10,817,929	\$ 23,930,404	\$ -	\$ 23,930,404
Receivables (Net)						
Property Tax	5,845,680	-	-	5,845,680	-	5,845,680
Accrued Interest	74,223	-	-	74,223	-	74,223
Prepaid Items	184,827	-	-	184,827	-	184,827
Capital Assets, Net of Accumulated Depreciation	-	-	-	-	25,795,757	25,795,757
Total Assets	\$ 13,695,242	\$ 5,521,963	\$ 10,817,929	\$ 30,035,134	25,795,757	55,830,891
LIABILITIES						
Accounts Payable	\$ 335,644	\$ -	\$ 565,572	\$ 901,216	-	901,216
Accrued Payroll	199,952	-	-	199,952	-	199,952
Long-Term Liabilities						
Due within one year	-	-	-	-	298,871	298,871
Total Liabilities	535,596	-	565,572	1,101,168	298,871	1,400,039
DEFERRED INFLOWS OF RESOURCES						
Deferred Property Taxes	6,876,376	-	-	6,876,376	-	6,876,376
Total Liabilities and Deferred Inflows of Resources	7,411,972	-	565,572	7,977,544	298,871	8,276,415
FUND BALANCES / NET POSITION						
Fund Balances						
Nonspendable for Prepaid Items	184,827	-	-	184,827	(184,827)	-
Nonspendable for Working Cash	-	4,764,095	-	4,764,095	(4,764,095)	-
Committed for Capital Projects	-	-	10,252,357	10,252,357	(10,252,357)	-
Committed for Art Purchases and Special Projects	273,851	-	-	273,851	(273,851)	-
Assigned for Working Cash Purposes	-	757,868	-	757,868	(757,868)	-
Unassigned	5,824,592	-	-	5,824,592	(5,824,592)	-
Total Fund Balances	6,283,270	5,521,963	10,252,357	22,057,590	(22,057,590)	-
Total Liabilities, Deferred Inflows and Fund Balances	\$ 13,695,242	\$ 5,521,963	\$ 10,817,929	\$ 30,035,134		
Net Assets						
Net Investment in Capital Assets					25,795,757	25,795,757
Restricted					4,764,095	4,764,095
Unrestricted					16,994,624	16,994,624
Total Net Position					\$ 47,554,476	\$ 47,554,476

The accompanying notes are an integral part of these financial statements.

Basic Financial Statements

SCHAUMBURG TOWNSHIP DISTRICT LIBRARY

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

FOR THE YEAR ENDED JUNE 30, 2020

	GENERAL FUND	WORKING CASH FUND	SPECIAL RESERVE FUND	TOTAL	ADJUSTMENTS (Note 11)	STATEMENT OF ACTIVITIES
REVENUES						
Property Taxes	\$ 14,891,404	\$ -	\$ -	\$ 14,891,404	\$ -	\$ 14,891,404
Replacement Taxes	144,561	-	-	144,561	-	144,561
Investment Gains (Losses)	405,786	(4,117)	10,157	411,826	-	411,826
Fines and Fees	128,855	-	-	128,855	-	128,855
Intergovernmental Grants	182,019	-	-	182,019	-	182,019
Miscellaneous	61,445	-	-	61,445	-	61,445
Total Revenues	15,814,070	(4,117)	10,157	15,820,110	-	15,820,110
EXPENDITURES / EXPENSES						
Materials	1,497,250	-	-	1,497,250	(892,051)	605,199
Salaries and Benefits	9,955,915	-	-	9,955,915	140,561	10,096,476
Administration	2,553,178	-	-	2,553,178	(49,244)	2,503,934
Capital Improvements	-	-	1,788,676	1,788,676	(1,738,418)	50,258
Depreciation/Loss on Disposal of Asset	-	-	-	-	2,272,449	2,272,449
Total Expenditures / Expenses	14,006,343	-	1,788,676	15,795,019	(266,703)	15,528,316
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,807,727	(4,117)	(1,778,519)	25,091	266,703	-
OTHER FINANCING SOURCES (USES)						
Operating Transfers In (Out)	(1,600,000)	-	1,600,000	-	-	-
Net Change in Fund Balance	207,727	(4,117)	(178,519)	25,091	(25,091)	-
Change in Net Position	-	-	-	-	291,794	291,794
FUND BALANCES / NET POSITION						
Beginning of Year	6,075,543	5,526,080	10,430,876	22,032,499	25,230,183	47,262,682
End of Year	\$ 6,283,270	\$ 5,521,963	\$ 10,252,357	\$ 22,057,590	\$ 25,496,886	\$ 47,554,476

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

The financial statements of Schaumburg Township District Library (Library) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Library's accounting policies are described below.

A. Reporting Entity

The Library's reporting entity includes all entities for which the Library exercised oversight responsibility as defined by the Governmental Accounting Standards Board (GASB).

The Library has developed criteria to determine whether outside agencies should be included within its financial reporting entity. The criteria include, but are not limited to, whether the Library (1) selects the governing authority or management, (2) has the ability to significantly influence operations, or (3) has accountability for fiscal matters (e.g., final budget approval, responsibility for funding deficits, management of assets, etc.). Using these criteria, the Library has not included in its financial statements the activities of any other entity.

B. Basis of Presentation

The government-wide and fund financial statements are combined, with a reconciliation shown between them. The Governmental Funds Balance Sheet and Statement of Net Assets and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and Statement of Activities combines information about the reporting government as a whole and funds statements to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Library functions or activities.

Major individual governmental funds are reported as separate columns in the fund financial statements. The major funds are the general fund, special reserve and working cash. Following is a description of major and non-major funds.

General Fund Type - The General Fund is the general operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund Type - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The special revenue fund of the Library is the Working Cash fund.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Projects Fund Type - The Capital Projects Funds are used to account for the acquisition of fixed assets or construction of major capital projects. The Capital Project Fund of the Library is the Special Reserve Fund.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus and are accounted for using 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 net current assets.

The government-wide statements (the Statement of Net Assets and the 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.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means 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 revenues to be available if they are collected within 60 days after year end. Property taxes are recorded in the year levied as taxes receivable and deferred inflows of resources. Property taxes not received by year end are recognized as revenues in the succeeding year when services financed by the levy are being provided. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Those revenues susceptible to accrual are property taxes, replacement taxes and investment income.

D. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

E. Cash and Investments

Illinois Revised Statutes authorize the Library to invest in securities guaranteed by the full faith and credit of the United States of America, interest-bearing savings accounts, certificates of deposit or any other investments constituting direct obligations of any

Note 1: Summary of Significant Accounting Policies (Continued)

bank as defined by the Illinois Banking Act, the State Treasurer's investment pool (authorized by ICLS 30, 235-2, e), interest bearing bonds of governmental units and other permitted investments under paragraph 902, chapter 85 of the Statutes as amended by Public Act 86-426. Investments may only be made in banks, which are insured by the Federal Deposit Insurance Corporation.

Cash includes amounts in demand deposits and are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing).

The Library has adopted an investment policy. The policy is in accordance with the state statute for allowable investments. Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record fair value are deemed unrealized gains and losses; are recorded as increases or decreases in investment income, and recorded in the statement of revenues, expenditures and changes in net position. Investment income on commingled investments is allocated to the General Fund.

F. Capital Assets

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

Government-wide Statements

In the government-wide financial statements capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and Improvements	10-40 years
Furniture and Equipment	5-20 years
Vehicles	8 years
Books and Library Materials	3-7 years

The minimum capitalization threshold is any item with a total cost greater than \$10,000, except for books and library materials.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

G. Compensated Absences

It is the Library's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave as it does not vest. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a liability in the government-wide statements. Payments for vacation will be made at rates in effect when the benefits are used. Accumulated vacation liabilities at June 30, 2020, are determined on the basis of current salary rates and include salary related payments.

H. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until that future time. Deferred property taxes represent a future recognition of revenue, therefore are classified as a deferred inflow of resources.

I. Long Term Obligations

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. All long-term obligations to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term obligation of the Library consists of accrued compensated absences.

J. Fund Equity

The Library follows the reporting standards of GASB statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance – amounts that are not in a spendable form (such as prepaid expenses) or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority. The board

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

of trustees establish (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Library Board that originally created the commitment.

- Assigned fund balance – Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following: 1) The Library has adopted a financial policy authorizing the Executive Director to assign amounts for a specific purpose. 2) Any remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted or committed. Assignments may take place at the end of the period.
- Unassigned fund balance – Includes residual positive fund balances within the general fund which have not been classified within any of the above-mentioned categories. It is the policy of the Library Board to maintain an unassigned fund balance in the General Fund of 35-45% of the subsequent year's budgeted expenditures.

When fund balance resources are available for a specific purpose in more than one classification, it is the Library's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

The amount reported as nonspendable in the Working Cash Fund represents cumulative property tax collections levied for working cash purposes, which can only be used to earn interest and for temporary interfund loans as required by Illinois Compiled Statutes. The assigned fund balance for Working Cash purposes represents the interest earned in the Working Cash Fund.

K. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2: Deposits and Investments

Deposits. At year end, the carrying amount of the Library's deposits, excluding petty cash and cash on hand of \$1,900, was \$4,074,277 and the bank balance was \$4,317,904. Of the bank balance, \$500,000 was covered by federal depository insurance and the remaining \$3,817,904 was collateralized with securities held by the pledging financial institution's trust department in the Library's name.

Investments. The Library's investments at year-end were comprised of the following:

Notes to Financial Statements

Note 2: Deposits and Investments (Continued)

	Weighted Average Rate	Original Cost	Fair Value
Advised Insured Deposit Account	.10%	\$ 1,594,633	\$ 1,594,633
U.S. Agencies – Explicitly Guaranteed	4.99	25,862	25,425
U.S. Treasury Obligations	1.66	9,474,725	9,552,974
Negotiable Certificates of Deposit	1.36	7,422,497	7,429,146
Municipal Bonds	1.21	<u>1,240,790</u>	<u>1,252,049</u>
		<u>\$ 19,758,507</u>	<u>\$ 19,854,227</u>

Custodial Credit Risk. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To limit its exposure, the investment policy requires that the investments are to be held by a third-party acting as the Library’s agent separate from where the investment was purchased.

Credit Risk. Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Library limits its exposure to credit risk by investing primarily in obligations guaranteed by the United State Government or its agencies. However, the Library’s investment policy does not specifically limit the Library to these types of investments. As of June 30, 2020, the Library’s investments were rated as follows:

Investment Type	Standard & Poor’s
Municipal Bonds	AA, AA+, AAA
Negotiable Certificates of Deposit	Not Rated

Concentration of Credit Risk. Concentration of Credit Risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The District’s investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific issues of securities. At June 30, 2020, there were no investments that represented a concentration of the portfolio.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment. The Library manages its exposure to declines in fair values by limiting the maturity of its investment portfolio to two years. As of June 30, 2020, the Library’s investments were maturing as follows:

Investment Type	Fair Value	Maturity (In Years)	
		Less Than One Year	1-2 Years
U.S. Agencies – Explicitly Guaranteed	\$ 25,425	\$ 25,425	\$ -
U.S. Treasury Obligations	9,552,974	7,917,311	1,635,663
Negotiable Certificates of Deposit	7,429,146	5,960,323	1,468,823
Municipal Bonds	<u>1,252,049</u>	<u>294,565</u>	<u>957,484</u>
	<u>\$ 18,259,594</u>	<u>\$ 14,197,624</u>	<u>\$ 4,061,970</u>

Notes to Financial Statements

Note 3: Property Tax Revenue Recognition

The Library's property tax was levied in September 2019 by passage of a Tax Levy Ordinance on all taxable real property located in the Library. In May 2020, the Library Board adopted an ordinance which abated \$1,500,000 of the 2019 levy. Property taxes, which are due within the current fiscal year and collected, are recorded as revenues.

The County Assessor is responsible for assessment of all taxable real property within Cook County (County) except for certain railroad property, which is assessed directly by the State. Property taxes are collected by the County Collector and are submitted to the County Treasurer, who remits to the governmental units their respective share of the collections. Tax bills were issued on or about February 1 and July 1. Payment is due 30 days following these dates.

The 2019 property taxes attach as an enforceable lien on January 1, 2019. Tax payments are due on or about March 1 and August 1. Tax payments not received by the due date are deemed delinquent and the County may assess penalties and interest. Substantially all of the collected taxes are received by the Library between March 2020 and January 2021.

The second installment of the 2019 property tax levy is recorded as receivable at June 30, 2020, net of estimated uncollectibles. The Library has provided an allowance for uncollectible real property taxes equivalent to 3.0% of the current year's levy. All uncollected taxes relating to prior years' levies have been written off. The second installment will be used for fiscal 2021 operations and is reflected as deferred revenue at June 30, 2020.

Note 4: Capital Assets

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

	Balance June 30, 2019	Additions/ Transfers	Retirements	Balance June 30, 2020
Capital assets, not being depreciated				
Land	\$ 3,755,513	\$ -	\$ -	\$ 3,755,513
Construction in Progress	-	1,533,528	-	1,533,528
Artwork	168,989	-	-	168,989
Total Capital Assets Not Being Depreciated	<u>3,924,502</u>	<u>1,533,528</u>	<u>-</u>	<u>5,458,030</u>
Capital assets, being depreciated				
Building and Improvements	30,017,730	-	-	30,017,730
Furniture and Equipment	3,409,028	229,137	(143,511)	3,494,654
Vehicles	63,380	24,997	(17,729)	70,648
Books and Library Materials	11,409,349	892,051	(800,574)	11,500,826
Total capital assets being depreciated	<u>44,899,487</u>	<u>1,146,185</u>	<u>(961,814)</u>	<u>45,083,858</u>
Less accumulated depreciation for				
Building and Improvements	(13,138,459)	(780,354)	-	(13,918,813)
Furniture and Equipment	(2,367,520)	(288,633)	143,511	(2,512,642)
Vehicles	(40,211)	(5,399)	17,729	(27,881)
Books and Library Materials	(7,889,306)	(1,198,063)	800,574	(8,286,795)
Total accumulated depreciation	<u>(23,435,496)</u>	<u>(2,272,449)</u>	<u>961,814</u>	<u>(24,746,131)</u>
Total capital assets being depreciated, net	<u>21,463,991</u>	<u>(1,126,264)</u>	<u>-</u>	<u>20,337,727</u>
Capital assets, net	<u>\$ 25,388,493</u>	<u>\$ 407,264</u>	<u>\$ -</u>	<u>\$ 25,795,757</u>

Notes to Financial Statements

Note 5: Long-Term Obligations

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

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Amounts Due</u> <u>In One Year</u>
Compensated Absences	\$ 158,310	\$ 140,561	\$ -	\$ 298,871	\$ 298,871

Note 6: Deferred Compensation Plan

The Library offers and administers a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The current plan is available to all Library employees as of July 8, 1991. This plan permits employees to defer a portion of their salary until future years. The plan is voluntary for all employees except for part-time employees who were hired before January 1, 2011 and who opt out of social security. For the part-time employees who opt out of social security, the plan is mandatory. They contribute 3.75% and the Library contributes 3.75%. Employees may make voluntary contributions to the plan. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan provides for various levels of deferment depending upon the status of employee and years of employment experience. The plan is managed by ICMA Retirement Corporation, the plan's administrator, under various investment options as directed by the participant.

All amounts of compensation are held in trust until paid or made available to the employee or other beneficiary. These assets are not subject to the claims of the Library's creditors. For the year ended June 30, 2020, the Library's matching contribution (expenditure) to the 457 plan was \$41,540.

Note 7: 401(a) Plan

Effective July 1, 1995, the Library established a defined contribution Money Purchase 401(a) Plan for all full-time employees (employees working 37.5 hours per week), who have been employed a minimum of three months. For all eligible employees, the Library makes a 20% contribution of the employees' compensation for the employees who elect not to enter into Social Security, and a 13.8% contribution of the employees' compensation for the employees who elected to enter into Social Security after January 1, 2011. Employees may make voluntary contributions to the Plan. Vesting achieved under the 457 Plan is transferable to the 401(a) plan. For the year ending June 30, 2020, the Library contributed \$719,704 to the 401(a) Plan.

Note 8: Fund Balance

Committed Fund Balance

The Board has designated \$273,851 of the general fund balance for future art purchases. This money has been received through donations.

Notes to Financial Statements

Note 9: Interfund Transactions

During the year, the General Fund transferred of \$1,600,000 to the Special Reserve Fund as a measure to provide for future capital expenditures. The Interfund transfer is reported as an operating transfer.

Note 10: 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; and natural disasters. The Library carries commercial insurance for risks such as errors and omission and workers compensation.

For all other risks, the Library participates in the Libraries of Illinois Risk Agency (LIRA), a public entity risk pool. LIRA protects the Library against loss due to property damage, crime, and general liabilities. The Library is responsible for an annual premium payment and the pool is responsible for administering the program. If funds in the program are insufficient in the judgment of the pool, then the pool may assess the member's additional equal payments. The Library's policy is to record any related expenditures in the year in which that are notified of any additional assessments. The Library is not aware of any additional assessments owed as of June 30, 2020.

Note 11: Adjustments

Amounts reported in the statement of net assets are different from the governmental fund balance sheet because:

Capital assets used in governmental activities are not financial resources and therefore are not capitalized in the funds.	\$ 25,795,757
Accrued compensated absences are recognized in governmental activities as they accrue.	<u>(298,871)</u>
	<u>\$ 25,496,886</u>

The governmental funds report capital outlays as expenditures. In the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. The amount by which capital outlays exceeded depreciation is \$407,264 (\$2,679,713 less \$2,272,449). In addition, the change in compensated absences salaries of \$140,561 is eliminated from the statement of activities.

Note 12: Commitments

During the year ended June 30, 2020, the Board approved and signed contracts totaling \$2,174,526 to renovate the circulation area. As of June 30, 2020, the Library has paid and accrued \$1,350,507 towards those contracts, leaving outstanding commitments of \$824,019.

Notes to Financial Statements

Note 13: Contingency

In 2020, the COVID-19 pandemic struck the world with far reaching effects. Due to this virus, many businesses and individuals have been harmed financially. This may result in a decrease in future tax revenue collections, the amount of which cannot be currently quantified.

Required Supplementary Information

SCHAUMBURG TOWNSHIP DISTRICT LIBRARY

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - ESTIMATED RECEIPTS AND APPROPRIATIONS COMPARED TO ACTUAL

FOR THE YEAR ENDED JUNE 30, 2020

	ORIGINAL AND FINAL BUDGET AND APPROPRIATION	ACTUAL	VARIANCE
REVENUES			
Property Taxes	\$ 15,481,123	\$ 14,891,404	\$ (589,719)
Replacement Taxes	100,000	144,561	44,561
Investment Income	160,000	405,786	245,786
Fines and Fees	208,500	128,855	(79,645)
Intergovernmental Grants	173,561	182,019	8,458
Miscellaneous	49,500	61,445	11,945
Total Revenues	<u>16,172,684</u>	<u>15,814,070</u>	<u>(358,614)</u>
EXPENDITURES			
Materials			
Books-Adult	421,870	351,956	69,914
Books-Reference	111,500	71,145	40,355
Materials-Branch	216,454	159,316	57,138
Materials-Youth Services	228,440	180,712	47,728
Electronic Products	588,178	568,367	19,811
Serials	43,000	30,182	12,818
Popular Library Materials	164,600	135,572	29,028
Total Materials	<u>1,774,042</u>	<u>1,497,250</u>	<u>276,792</u>
Salaries and Benefits			
Popular Library Services	554,107	499,771	54,336
Business Office	1,146,980	958,840	188,140
Circulation	1,600,761	1,359,882	240,879
Extension Services	561,527	496,389	65,138
Reference	1,214,137	1,076,335	137,802
Adult Services	829,345	706,029	123,316
Youth Services	1,011,089	959,251	51,838
Computer Operations	415,752	295,679	120,073
Branch Libraries	842,674	745,255	97,419
Maintenance	504,688	417,911	86,777
Sunday Hours	478,574	307,499	171,075
Merit Salary Supplement	130,000	119,324	10,676
Personnel Benefits	2,336,136	2,013,750	322,386
Total Salaries and Benefits	<u>11,625,770</u>	<u>9,955,915</u>	<u>1,669,855</u>

(Continued)

Required Supplementary Information

SCHAUMBURG TOWNSHIP DISTRICT LIBRARY

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES - ESTIMATED RECEIPTS AND APPROPRIATIONS COMPARED TO ACTUAL

FOR THE YEAR ENDED JUNE 30, 2020
(Continued)

	ORIGINAL AND FINAL BUDGET AND APPROPRIATION	ACTUAL	VARIANCE
Administration			
Utilities	\$ 480,400	\$ 366,227	\$ 114,173
Insurance	246,041	146,108	99,933
Repairs and maintenance	474,055	367,180	106,875
Equipment and Furniture	90,153	77,782	12,371
Library Supplies	334,630	249,291	85,339
Professional Fees	185,220	166,906	18,314
Professional Development	209,899	119,690	90,209
Public Library Information	173,850	164,539	9,311
Library Programs	308,768	237,107	71,661
Computer Operations	863,980	654,008	209,972
Legal Notice	2,000	86	1,914
Merchant Fees	12,000	4,254	7,746
Total Administration	<u>3,380,996</u>	<u>2,553,178</u>	<u>827,818</u>
Capital Improvements	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Contingency	<u>60,000</u>	<u>-</u>	<u>60,000</u>
Total Expenditures	<u>16,865,808</u>	<u>14,006,343</u>	<u>2,859,465</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (693,124)</u>	<u>1,807,727</u>	<u>\$2,500,851</u>
OTHER FINANCING SOURCES			
Operating Transfers In (Out)		<u>(1,600,000)</u>	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses		<u>\$ 207,727</u>	

Notes: Budgets are adopted on the modified accrual basis of accounting. All appropriations lapse at fiscal year end.

No budget is adopted for the Working Cash Fund because there is no legal requirement to do so. Therefore a budgetary comparison schedule is not presented for the Working Cash Fund.