



**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

ANNUAL FINANCIAL REPORT

For the Year Ended May 31, 2020



SIKICH.COM

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NORTH AURORA, ILLINOIS
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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees
Messenger Public Library
North Aurora, Illinois

We have audited the accompanying financial statements of the governmental activities and each major fund of the Messenger Public Library, North Aurora, Illinois (the Library), as of and for the year ended May 31, 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 of 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 Library's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 Messenger Public Library, as of May 31, 2020, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The individual fund schedules and the supplemental section in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Library. The individual fund schedules are the responsibility of management and were derived from and relate 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. The supplemental section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Sikich LLP

Naperville, Illinois
October 27, 2020

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS

MESSENGER PUBLIC LIBRARY OF NORTH AURORA

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 31, 2020

As the management of the Messenger Public Library of North Aurora (Library), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended May 31, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Library's Financial Statements.

This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the Library's financial activity (3) identify changes in the Library's financial position (its ability to address the next and subsequent year challenges), (4) identify any material deviations from the financial plan (the approved budget), and (5) identify fund issues or concerns.

USING THE FINANCIAL SECTION OF THIS ANNUAL REPORT

Government-Wide Financial Statement

The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business. The focus of the Statement of Net Position presents information on all the Library's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations using the accrual basis of accounting and economic resources measurement focus. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The Statement of Activities presents information showing how the Library's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

The government-wide financial statements (see pages 3 - 4) describe functions of the Library that are principally supported by taxes and intergovernmental revenues (government activities). The governmental activities of the Library reflect the Library's basic services, including materials collections, reference and readers' services, programming, interlibrary loan and outreach services.

(See independent auditor's report.)

**MESSENGER PUBLIC LIBRARY OF NORTH AURORA
NORTH AURORA, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements to be more familiar. The focus of the presentation is on the fund rather than the fund type. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund of the Library is categorized as a governmental fund.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in the fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Library maintains one fund. Information for this fund is presented in the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balance.

The Library adopts an annual budget for its government fund. A budgetary comparison statement has been provided elsewhere in this report to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 5 - 8 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 9 - 26 of this report.

Other Information

In addition to the basic financial statements and accompany notes, this report also presents certain required supplementary information concerning the Library's progress in funding its obligation to provide benefits to its employees. Required supplementary information can be found on pages 27 - 31 of this report.

(See independent auditor's report.)

**MESSENGER PUBLIC LIBRARY OF NORTH AURORA
NORTH AURORA, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Financial Analysis of the Library as a Whole

In accordance with GASB Statement No. 34, a comparative analysis of government-wide information has been presented.

GOVERNMENT-WIDE STATEMENTS

Net Position

The following table reflects the condensed Statement of Net Position.

**Table 1
Statement of Net Position**

Governmental Activities	As of May 31, 2019	As of May 31, 2020
Current and Other Assets	\$ 3,401,477	\$ 3,305,536
Capital Assets	1,944,801	1,947,941
Deferred Outflows	407,334	169,287
Total Assets and Deferred Outflows	\$ 5,753,612	\$ 5,522,764
Long-Term Liabilities	\$ 803,507	\$ 601,323
Other Liabilities	50,456	30,338
Deferred Inflows	1,863,793	2,008,221
Total Liabilities and Deferred Inflows	\$ 2,717,756	\$ 2,639,882
Net Position		
Net Investment in Capital Assets	\$ 1,944,801	\$ 1,947,941
Restricted	76,311	77,561
Unrestricted	1,014,644	857,380
Total Net Position	\$ 3,035,856	\$ 2,882,882

The Library's net position decreased during FY2020 from \$3,035,856 to \$ 2,882,882

For more detailed information, see the Statement of Net Position on page 3.

**MESSENGER PUBLIC LIBRARY OF NORTH AURORA
NORTH AURORA, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Activities

The following table summarizes the revenue and expenses of the Library's activities:

**Table 2
Change in Net Position**

Governmental Activities	As of May 31, 2019	As of May 31, 2020
Revenues		
<i>Program Revenues</i>		
Charges for Services	\$ 23,359	\$ 19,119
Operating Grants	21,801	22,208
Capital Grants	-	-
<i>General Revenues</i>		
Property Taxes	1,729,425	1,786,052
Replacement Taxes	13,096	13,890
Impact Fees	3,240	720
Investment Income	47,177	37,131
Miscellaneous	102,216	623
Donations	2,750	1,868
Total Revenues	\$ 1,943,064	\$ 1,881,611
Expenses		
Culture and Recreation	\$ 1,931,002	\$ 2,034,585
Total Expenses	\$ 1,931,002	\$ 2,034,585
Change in Net Position	\$ 12,062	\$ (152,974)
Net Position, Beginning of Year, Restated	3,023,794	3,035,856
Total Net Position, End of Year	\$ 3,035,856	\$ 2,882,882

(See independent auditor's report.)

**MESSENGER PUBLIC LIBRARY OF NORTH AURORA
NORTH AURORA, ILLINOIS
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)**

**2019-2020 FINANCIAL OVERVIEW
Messenger Public Library of North Aurora**

INCOME SOURCES

Local property taxes	95%
Miscellaneous	0%
Investment Income	2%
Grants and Gifts	1%
Fines, Service Fees, Photocopies	1%
Total Income	\$ 1,881,611

EXPENDITURES BY CATEGORY

Salaries and Benefits	54%
Equipment/Automation	22%
Materials, Electronic Resources	13%
Administration*	11%
Total Expenditure	\$ 1,899,662

**Building insurance, audit, postage, professional fees, contractual services, printing, contingency, etc.*

There are seven basic impacts on revenues and expenses as reflected below:

Normal Impacts

Revenues

Effect of Tax Cap. The Library’s total tax extension increased 3.3% from \$1,731,073 (to \$1,788,249). In fiscal year 2020, the CPI used to calculate the limiting tax levy rate was 2.1%. In 2019, the CPI calculating tax levy rate remained the same at 2.1 from 2019 to 2020. For FY2021 the rate will decrease to 1.9% during the 2020 tax year.

For the 2019 levy year, Kane County extended a total tax rate of 0.3272. This is lower than the 2018 levy year tax rate of 0.3339.

Changing patterns in intergovernmental and grant revenue (both recurring and non-recurring) Certain recurring revenues (Illinois State Library Per Capita Grant, etc.) may experience significant changes periodically while non-recurring or one-time grants are less predictable and often distort their impact on year-to-year comparisons. For illustrative purposes, the FY 2020 grant award letter was received on March 18, 2020 and the award amount of \$21,801 was received within FY 2021 on October 2, 2020. The Library has until December 31, 2021 to expend this grant amount within fiscal year 2022.

(See independent auditor’s report.)

**MESSENGER PUBLIC LIBRARY OF NORTH AURORA
NORTH AURORA, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Market impacts on investment income. The Library's investment portfolio is managed using a similar average maturity to most other governments. Market conditions may cause investment income to fluctuate. Funds are invested in the Illinois Funds, which offers a competitive return, liquidity and safety, requisites of the Library's investment policy. Investment income in FY 2020 totaled \$ 37,131, a decrease of \$10,046 over FY 2019 (\$47,177). This is a 3.3% decrease from year to year. This amount was due to the deposits earning a slightly low return on investment in the Illinois Funds accounts.

Expenses

Introduction of new programs. Within functional expense categories, individual programs may be added or deleted to meet the changing needs of the Library.

Changes in authorized personnel. Changes in service demand may cause the Library Board to increase or decrease staffing levels. Personnel costs are the Library's most significant operating costs.

Salary increases. The Library Board approved a merit pay increase range of 2% to 3% based upon an employee's evaluation score. The wage line increased just under 13% in FY 2020 due to merit wage increases of up to 3% and a \$1.00 per hour wage increase for all part time and full time nonexempt employees on January 1, 2020 to being to steadily raise staff hourly wages due to the impending \$15 per hour minimum wage increase by 2025. The Library Board as a matter of policy does not award across- the-board or cost of living increases. Salary adjustments continue to be made for longevity for staff at the five and ten-year marks in their salary schedule positions (*not on the anniversary of the years working for the library*). The Library Board approved to adjust the longevity from the five- and ten -year mark and reduce it to the 3- and 5-year marks starting in FY 2021. This decision to adjust the longevity mark was to reduce wage compression as new staff begin under the new minimum wage amounts in 2020 and 2021.

Inflation. The inflation rate remained lower at the end of the fiscal year below 1%. The inflation rate began June 1, 2019 at 1.8 % and ended at 0.62% by the end of May 2020. This low rate reflects the impact of the COVID -19 pandemic toward the end of the second quarter of 2020.

Revenues

For the fiscal year ending May 31, 2020, revenues totaled \$ 1,881,611. Property taxes, the Library's largest single revenue source, amounted to \$ 1,799,942 or 96% of total revenue.

The 2019 assessed property valuation of the Village increased 4 % to \$ 559,300,173 (from \$535,501,856). The 4% increase was due to new construction entering onto the property tax rolls.

(See independent auditor's report.)

**MESSENGER PUBLIC LIBRARY OF NORTH AURORA
NORTH AURORA, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Total income from all sources was \$ 1,881,611, a decrease of 3 % from last year's \$1,943,064. Charges for services, which include impact fees, revenue fines, and photocopies, meeting room rental, non-residential cards and lost materials fees represented 1% of total income. Grants and gifts account for a very negligible amount of income (\$21,801).

The Library received miscellaneous monetary donations. Income is also generated through the annual and ongoing sale of used library materials and books donated by the general public.

Expenses/Expenditures

The Library's expenditures were \$ 1,899,662 for FY 2020. The Library's expenses on an accrual basis were \$2,034,585. As required by GASB Statement No. 34, the expense total includes depreciation expense of \$187,332 for governmental activities.

Total expenditures decreased 2% from 2019. Expenditures for salaries and benefits decreased by 0.3%. The decrease was due to the retirement of a key exempt employee toward the end of the fiscal year's 3rd quarter. Expenditures for materials (books, e-books, periodicals, DVDs, audiobooks, and other online electronic resources) decreased by 12%. The decrease was due to the need to use library funds to cover and pay the increasing personnel wages and benefits due to increases and adjustments of salaries due to the new State of Illinois Minimum Wage laws. The Library also had to increase its contributions to IMRF Pension benefit costs.

(See independent auditor's report.)

**MESSENGER PUBLIC LIBRARY OF NORTH AURORA
NORTH AURORA, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS

As noted earlier, Messenger Public Library of North Aurora uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. As of May 31, 2020, the governmental fund (as represented on the balance sheet on page 5) had a fund balance of \$1,544,720. This represents a decrease over the prior year (\$ 1,562,771) of \$ 18,051. This increase is due to the Library receiving decreased interest revenue from its investment accounts from Illinois Funds via the Illinois Department of the Treasurer.

**Table 3
General Fund Budgetary Highlights
For the Fiscal Year Ended May 31, 2020**

	<u>Final Budget</u>	<u>Actual</u>
Revenues		
Taxes	\$ 1,788,249	\$ 1,799,942
Intergovernmental	21,801	22,801
Fines and Forfeits	7,000	5,048
Investment Income	-	37,131
Miscellaneous	350,000	17,282
	<hr/>	<hr/>
Total Revenues	\$ 2,167,050	\$ 1,881,611
Expenditures		
Library Materials	\$ 223,500	\$ 211,401
Equipment	520,500	419,136
Administration	269,921	245,405
Personnel	1,153,129	1,023,720
	<hr/>	<hr/>
Total Expenditures	\$ 2,167,050	\$ 1,899,662
	<hr/>	<hr/>
Change in Fund Balance	\$ -	\$ (\$18,051)

(See independent auditor's report.)

**MESSENGER PUBLIC LIBRARY OF NORTH AURORA
 NORTH AURORA, ILLINOIS
 MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Capital Assets

The following schedule reflects the Library's capital asset balances as of May 31, 2020:

**Table 4
 Capital Assets
 As of May 31, 2020**

Governmental Activities	
Capital Assets Not Being Depreciated	
Land	\$ 600,000
Total Capital Assets Not Being Depreciated	<u>\$ 600,000</u>
Capital Assets Being Depreciated	
Building improvements	\$ 1,400,225
Furniture and Equipment	<u>588,114</u>
Total Capital Assets Being Depreciated	<u>\$ 1,988,369</u>
Less Accumulated Depreciation for	
Building improvements	\$ 405,305
Furniture and Equipment	<u>235,123</u>
Total Accumulated Depreciation	<u>\$ 640,428</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 1,347,941</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u><u>\$ 1,947,941</u></u>

At year-end, the Library's investment in capital assets (net of accumulated depreciation) for its governmental-type activities was \$ 1,947,941. See Note 4 for further information regarding capital assets.

**MESSENGER PUBLIC LIBRARY OF NORTH AURORA
NORTH AURORA, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Capital Improvements and Master Facilities Operations Maintenance Plan (FOMP)
Progress and Update**

The Library Board approved a contract with Kluber Architects and Engineers of Batavia Illinois in the late summer of 2017 to update and revise the FOMP they had originally developed, and the Board approved in September 2015. The Board at their October 2017 Board Meeting approved a revised FOMP Plan. The plan at the end of fiscal year 2019 listed under \$500,000 worth of facility and property improvements and preventive deferred maintenance projects still needing attending between October 2017 and October 2027. Among the projects pursued by the Library Board or completed or initiated within FY 2020 included projects listed in the FOMP Plan:

- *Parking Lot and Driveway Resurfacing*
In March 2019 (withing FY 2019) the Library Board approved a contract with Kluber Architects and Engineers to develop engineering drawings, design specifications, and plans to assist with the public bidding for the resurfacing of the library entrance driveway, the patron and staff parking lots, and the restoration and regrading and of the north emergency egress driveway to Illinois Route 31. A competitive bid was approved by the Board in July 2019 for the work to take place in FY 2020. Substantial completion of this project would be by October 8, 2019. The total bid was for \$148,133 with a \$19,000 contingency budget. The bid also included a \$15,133 contingency project for the north emergency egress driveway. The project was completed by the end of the summer of 2019 for a final cost of \$ 128,732,99. Geneva Construction Co. was the contractor that was awarded the project and completed the project.
- *Interior Electrical LED Lighting Retrofitting and Replacement Project.*
Frost Electrical Co. working during March and through the end of June 2020 on a Board approved \$24,637 project. Commonwealth Edison provided grant funding for the project. The Board approved the project in November of 2019. The project was part of the FOMP Plan to provide more energy efficient lighting for the facility.

Personnel Wage and Benefit Cost Increases through FY 2025

The Library Board of Trustee's primary budgetary concern and focus within FY 2020 and beyond will be the downward pressure on the Library's overall budget due to increasing personnel wage and benefit costs. The two primary factors driving the cost increase include: the number of employees currently enrolled in the IMRF municipal employee pension program and the \$15 minimum hourly wage rate requirements that need to be in place prior to January 1, 2025 due to the Illinois State Legislature's new Minimum Wage Law passed in early part of 2019.

The Board of Trustees of the Library will need to work on a master financial plan for fiscal years 2022 to 2025. The Board will need to look at balancing the increasing costs of maintaining an aging public facility (twenty two years old in 2025), keeping up with increasing patron demands for services, programs and materials, increased maintenance and technology costs and providing competitive market wages and benefits to improve staff retention and longevity rates without increasing property tax rates for the Village of North Aurora in an increasing anti-property tax rate increase environment.

(See independent auditor's report.)

**MESSENGER PUBLIC LIBRARY OF NORTH AURORA
NORTH AURORA, ILLINOIS
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)**

Head of Technical Services Department Retires

Joanne Galloway, the Head of Technical, Acquisitions and Cataloging Services, for the Library, retired at the end of February 2020. The Department Head (*full time*) was not replaced in FY 2020. This is due to the decreasing need for a full-time cataloger for the Technical Service Department and library joining Chicagoland area SWAN Computer Consortium within the RAILS Library System and their support of higher end cataloging needs for the Library.

Long Range Plan (2019) Goals Pursued in FY 2020.

In January 2019, the Library Board approved a new three-year strategic long-range plan for the library. The Board hired library consultant Sarah Keister of Keister and Associates. Keister and her firm facilitated the planning process and advised the Board and Administrative Management Team on goal setting and drafting the planning document. Keister in the summer and fall of 2018 conducted an extensive community analysis, facilitated focus groups with Trustees, North Aurora Village residents and library staff, and conducted a community wide needs survey and assessment of the library program and services.

In FY 2020 the Library Board and Staff began working on the strategic goals and objectives as outlined in the Plan.

COVID – 19 Global Pandemic Impacts Services - 4th Quarter FY 2020.

Library services were suspended on March 16, 2020 due to the Illinois Governor on Friday March 13th, 2020 declaring a state of emergency and ordering the shutdown of “non-essential services and business” to Illinois residents. The action was taken to help “stem the spread” of the contagion. The Library was closed by the Library Board of Trustees on Monday, March 16th. Library staff continued working from home. Library Administrative staff continued to work, albeit at reduced hours within the facility or from home, to keep basic administrative operations functioning (e.g. bill payments and payroll processed). Staff were not furloughed or laid off in the third quarter of FY 2020. On June 1st, 2020 staff began to provide curb side delivery of services. On July 13th, 2020 as new FY 2021 began the Library Board reopened to the public for very basic and simple “*Grab and Go Services*”. The Library by the end of June 2020 had spent over \$5,000 in personal protective equipment for staff and to reengineer and rearrange the library facility interior for service to the public.

It has been estimated that the Library Staff will have to continue its current reduced service hours through the end of the 3rd quarter of 2021 well into FY 2022 or until a vaccine or cure for COVID – 19 can be developed, tested and then distributed on a wide basis to the general public.

(See independent auditor’s report.)

**MESSENGER PUBLIC LIBRARY OF NORTH AURORA
NORTH AURORA, ILLINOIS
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)**

Messenger Public Library Foundation Fund (An IRS 501c3 Fund) at the Community Foundation of the Fox River Valley (CFFRV).

The Library Board in early FY 2020 voted to change the Fund to be part of an “Investment Interest Earning Level Foundation Fund Account” at the CFFRV. The Fund began in late FY 2020 to begin earning an investment rate of interest and the basis amount will be able to grow over a period of years. The Fund consists as of May 31, 2020 of over \$ 100,000 of donations made by residents and supporters of the library since its creation in 2003.

CONTACTING THE LIBRARY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens with a general overview of the Library’s finances and to demonstrate accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Library Administrator, Messenger Public Library of North Aurora, 113 Oak Street, North Aurora, Illinois, 60542.

(See independent auditor’s report.)

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

STATEMENT OF NET POSITION

May 31, 2020

	Governmental Activities
	<u> </u>
ASSETS	
Cash and investments	\$ 1,637,321
Property taxes receivable	1,741,274
Due from other governments	26,783
Inventory	158
Capital assets not being depreciated	600,000
Capital assets (net of accumulated depreciation)	<u>1,347,941</u>
 Total assets	 <u>5,353,477</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension items - IMRF	<u>169,287</u>
 Total deferred outflows of resources	 <u>169,287</u>
 Total assets and deferred outflows of resources	 <u>5,522,764</u>
LIABILITIES	
Accrued payroll	30,338
Long-term liabilities	
Due within one year	47,903
Due in more than one year	<u>553,420</u>
 Total liabilities	 <u>631,661</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue	1,830,478
Pension items - IMRF	<u>177,743</u>
 Total deferred inflows of resources	 <u>2,008,221</u>
 Total liabilities and deferred inflows of resources	 <u>2,639,882</u>
NET POSITION	
Net investment in capital assets	1,947,941
Restricted for	
Working cash	28,780
Maintenance	48,781
Unrestricted	<u>857,380</u>
 TOTAL NET POSITION	 <u><u>\$ 2,882,882</u></u>

See accompanying notes to financial statements.

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

STATEMENT OF ACTIVITIES

For the Year Ended May 31, 2020

	Program Revenues				Net (Expense) Revenue and Change in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities
FUNCTIONS/PROGRAMS						
PRIMARY GOVERNMENT						
Governmental activities						
Culture and recreation	\$ 2,034,585	\$ 19,119	\$ 22,208	\$ -	\$ (1,993,258)	
Total governmental activities	<u>2,034,585</u>	<u>19,119</u>	<u>22,208</u>	<u>-</u>	<u>(1,993,258)</u>	
TOTAL PRIMARY GOVERNMENT	<u>\$ 2,034,585</u>	<u>\$ 19,119</u>	<u>\$ 22,208</u>	<u>\$ -</u>	<u>(1,993,258)</u>	
General revenues						
Taxes						
Property					1,786,052	
Replacement					13,890	
Impact fees					720	
Investment income					37,131	
Miscellaneous					623	
Donations					<u>1,868</u>	
Total					<u>1,840,284</u>	
CHANGE IN NET POSITION					(152,974)	
NET POSITION, JUNE 1					<u>3,035,856</u>	
NET POSITION, MAY 31					<u><u>\$ 2,882,882</u></u>	

See accompanying notes to financial statements.

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

BALANCE SHEET

GOVERNMENTAL FUNDS

May 31, 2020

	General
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Cash and investments	\$ 1,637,321
Property taxes receivable	1,741,274
Due from other governments	26,783
Inventory	<u>158</u>
Total assets	<u>3,405,536</u>
DEFERRED OUTFLOWS OF RESOURCES	
None	<u>-</u>
Total deferred outflows of resources	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,405,536</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
LIABILITIES	
Accrued payroll	<u>\$ 30,338</u>
Total liabilities	<u>30,338</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	<u>1,830,478</u>
Total deferred inflows of resources	<u>1,830,478</u>
Total liabilities and deferred inflows of resources	<u>1,860,816</u>
FUND BALANCE	
Nonspendable	
Inventory	158
Restricted	
Working cash	28,780
Maintenance	48,781
Unrestricted	
Committed for special reserve	947,666
Unassigned	<u>519,335</u>
Total fund balance	<u>1,544,720</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 3,405,536</u>

See accompanying notes to financial statements.

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

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

May 31, 2020

FUND BALANCE OF GOVERNMENTAL FUNDS	\$ 1,544,720
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	1,947,941
Differences between expected and actual experiences, assumption changes, net differences between projected and actual earnings and contributions after the measurement date are recognized as deferred outflows and inflows of resources on the statement of net position	(8,456)
Differences between expected and actual experiences, assumption changes, net differences between projected and actual earnings are recognized as deferred outflows and inflows of resources on the statement of net position	-
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Compensated absences payable	(44,509)
Net pension liability - IMRF	(508,425)
Total OPEB liability	<u>(48,389)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 2,882,882</u></u>

See accompanying notes to financial statements.

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

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

GOVERNMENTAL FUNDS

For the Year Ended May 31, 2020

	<u>General</u>
REVENUES	
Taxes	\$ 1,799,942
Intergovernmental	22,208
Fines and forfeits	5,048
Investment income	37,131
Miscellaneous	<u>17,282</u>
Total revenues	<u>1,881,611</u>
EXPENDITURES	
Current	
Culture and recreation	<u>1,899,662</u>
Total expenditures	<u>1,899,662</u>
NET CHANGE IN FUND BALANCE	(18,051)
FUND BALANCE, JUNE 1	<u>1,562,771</u>
FUND BALANCE, MAY 31	<u><u>\$ 1,544,720</u></u>

See accompanying notes to financial statements.

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

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

For the Year Ended May 31, 2020

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUND	\$ (18,051)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures; however, they are capitalized and depreciated in the statement of activities	190,472
Some expenses in the statement of activities (e.g., depreciation) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	(187,332)
The change in deferred inflows and outflows of resources is reported only on the statement of activities	
IMRF	(339,275)
OPEB	(972)
The change in compensated absences is shown as an expense on the statement of activities	(12,021)
The change in IMRF net pension liability is reported as an expense on the statement on activities	219,256
The change in total other postemployment benefits payable is reported as an expense on the statement on activities	<u>(5,051)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (152,974)</u></u>

See accompanying notes to financial statements.

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

NOTES TO FINANCIAL STATEMENTS

May 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity

The Library is governed by a seven member Library Board of Trustees that are separately elected. The Library Board of Trustees selects management staff and directs the affairs of the Library. As required by GAAP, these financial statements include all funds of the Library. Management has also considered all potential component units. Criteria for including a component unit in the Library's reporting entity principally consist of the potential component unit's financial interdependency and accountability to the Library. The Community Foundation of the Fox River Valley, while a potential component unit, is not significant to the Library and, therefore, has been excluded from its reporting entity.

b. Fund Accounting

The Library uses funds to report on its financial position and the changes in its financial position. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into the following categories; governmental, proprietary and fiduciary. The Library reports only governmental funds.

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

MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Library. The effect of material interfund activity, if any, has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, if any, which rely to a significant extent on fees and charges for support.

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

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

The Library reports the following major governmental fund:

The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library, except those accounted for in another fund.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

The Library reports deferred, unavailable and unearned revenue on its financial statements. Deferred and unavailable revenues arise when a potential revenue does not meet both the measurable and available or earned criteria for recognition in the current period. Unearned revenues arise when resources are received by the Library before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the Library has a legal claim to the resources, the deferred inflow for deferred or unavailable revenue or the liability for unearned revenue is removed from the financial statements and revenue is recognized.

e. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchase, if any, are stated at fair value. The Library's investments include The Illinois Funds Investment Pool and money market mutual funds. The Library categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Library held no investments to measure at fair value at May 31, 2020.

f. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

g. Prepaid Items/Expenses

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items/expenses.

MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost in excess of \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value or service capacity of the asset or materially extend asset lives are not capitalized.

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

Assets	Years
Building improvements	5-7
Furniture and equipment	5-10

i. Compensated Absences

In accordance with GASB Interpretation No. 6, *Accounting for Certain Liabilities*, only vested or accumulated vacation leave including related Social Security and Medicare that is committed to be liquidated at May 31, 2020, is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation of governmental activities at the government-wide level is recorded as an expense and liability as the benefits accrue to employees. Sick leave does not vest upon termination or retirement and, therefore, no liability has been recorded.

j. Fund Balance/Net Position

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not in spendable form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities. Committed fund balance is

MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Fund Balance/Net Position (Continued)

constrained by formal actions of the Library's Board of Trustees, which is considered the Library's highest level of decision-making authority. Formal actions include resolutions and ordinances approved by the Board of Trustees. Assigned fund balance represent amounts constrained by the Library's intent to use them for a specific purpose. The Director has the authority to assign fund balance in the Library fund balance policy. Any residual fund balance in the General Fund is reported as unassigned.

The Library's flow of funds assumptions prescribe that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending, the Library considers committed funds to be expended first, followed by assigned and then unassigned funds.

In the government-wide financial statements, restricted net position is legally restricted by outside parties for a specific purpose. None of the net position is restricted as a result of enabling legislation adopted by the Library. Net investment in capital assets is the book value of capital assets less outstanding principal balances of debt that was issued to construct the capital assets.

k. Deferred Outflows/Inflows of Resources

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

l. Use of Estimates

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

MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS

The Library's investment policy authorizes the Library to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States Government or agreements to repurchase these obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services and The Illinois Funds.

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

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

a. Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Library's deposits may not be returned to it. To guard against custodial credit risk for deposits with financial institutions, the Library's investment policy requires that deposits with financial institutions in excess of FDIC be collateralized with collateral held by an independent third party in the name of the Library.

b. Investments

In accordance with its investment policy, the Library limits its exposure to interest rate risk by diversifying its investment portfolio to the best of its ability based on the nature of the funds invested and the cash flow needs of those funds. A variety of financial instruments and maturities, properly balanced, will help to ensure liquidity and reduce risk or interest rate volatility and loss of principal. Diversifying

MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

b. Investments (Continued)

investments and maturities will avoid incurring unreasonable risks in the investment portfolio regarding specific security types, issuers or individual financial institutions. The Library's investment policy does not specifically limit the maximum maturity length of investments.

The Library limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government or securities issued by agencies of the United States Government that are explicitly guaranteed by the United States Government. However, the Library's investment policy does not specifically limit the Library to these types of investments. The Illinois Fund is rated AAA.

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

Concentration of credit risk is the risk that the Library has a lack of diversification resulting in concentrated risk based on one type of investment. The Library's investment policy requires diversification but does not contain specific diversification targets or limits.

3. RECEIVABLES - TAXES

Property taxes for 2020 attach as an enforceable lien on January 1, 2020, on property values assessed as of the same date. Taxes are levied by December 31 of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and issued on or about May 1, 2020, and are payable in two installments, on or about June 1, 2020 and September 1, 2020. The County collects such taxes and remits them periodically.

The 2019 levy was adopted in December 2019 and is recorded as a receivable at May 31, 2020 and offset by unavailable/deferred revenue since it is not due before the end of the Library's fiscal year and is intended to finance the subsequent fiscal year.

The 2020 tax levy, which attached as an enforceable lien on property as of January 1, 2020, has not been recorded as a receivable as of May 31, 2020, as the tax has not yet been levied by the Library and will not be levied until December 2020 and, therefore, the levy is not measurable at May 31, 2020.

MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. CAPITAL ASSETS

Capital asset activity for the year ended May 31, 2020 was as follows:

	Balances June 1	Increases	Decreases	Balances May 31
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 600,000	\$ -	\$ -	\$ 600,000
Total capital assets not being depreciated	600,000	-	-	600,000
Capital assets being depreciated				
Building improvements	1,291,360	166,069	57,174	1,400,255
Furniture and equipment	563,711	24,403	-	588,114
Total capital assets being depreciated	1,855,071	190,472	57,174	1,988,369
Less accumulated depreciation for				
Building improvements	324,169	138,310	57,174	405,305
Furniture and equipment	186,101	49,022	-	235,123
Total accumulated depreciation	510,270	187,332	57,174	640,428
Total capital assets being depreciated, net	1,344,801	3,140	-	1,347,941
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET				
	\$ 1,944,801	\$ 3,140	\$ -	\$ 1,947,941

Depreciation expense was charged to functions of the primary government as follows:

GOVERNMENTAL ACTIVITIES	
Culture and recreation	<u>\$ 187,332</u>

A library building was constructed during the year ended May 31, 2004. The library building and the related bonds payable are reported on the Village of North Aurora's (the Village) financial statements, as the debt is in the name of the Village.

5. CHANGES IN LONG-TERM LIABILITIES

Issue	Balances June 1	Increases	Decreases	Balances May 31	Current Portion
Accrued compensated absences payable	\$ 32,488	\$ 44,509	\$ 32,488	\$ 44,509	\$ 44,509
Net pension liability - IMRF	727,681	-	219,256	508,425	-
Net OPEB obligation	43,338	5,051	-	48,389	3,394
TOTAL	\$ 803,507	\$ 49,560	\$ 251,744	\$ 601,323	\$ 47,903

6. RISK MANAGEMENT

The Library has purchased insurance from private insurance companies. Risks covered included general liability, workers' compensation, medical and other. A deductible per occurrence is paid by the Library with general aggregate liability coverage of \$2,000,000. Premiums have been displayed as expenditures in the appropriate funds. Settlements have not exceeded coverage for the last three fiscal years.

The Library provides health, dental, vision and life insurance. The Library participated in the Village's employee benefit coverage through the Village's third party indemnity policy through the end of December 2014. The Library's expense for the coverage equaled the amount paid to the Village for coverage. In January 2015, the Library changed to participate in the Library Insurance Management and Risk Control Combination's (LIMRiCC) Purchase of Health Insurance Program (PHIP). LIMRiCC and PHIP provide conventional insurance coverage and/or self-insurance for claims against or by its participants. LIMRiCC is a public entity risk pool with the transfer of risk. The Library is responsible for premium payments and the pool is responsible for administering the program. If funds are insufficient in the judgment of the pool, the pool may assess the members' additional equal payments. The Library's policy is to record any related expenditures in the year in which they are notified of any additional assessments. The Library is not aware of any additional assessments owed as of May 31, 2020. The Library's total expense for coverage was \$78,943 in the fiscal year ended May 31, 2020.

7. DEFINED BENEFIT PENSION PLAN

The employees of the Library are covered by the Village's defined benefit pension plan.

Illinois Municipal Retirement Fund

The Library, under the sponsorship of the Village, contributes to the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local governments and school districts in Illinois. The Library's participation in IMRF through the Village results in the Library participating in a cost-sharing multiple-employer plan. All disclosures for an agent plan can be found in the Village's comprehensive annual financial report.

Plan Administration

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

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

MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Benefits Provided

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

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with ten years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute.

Contributions

Participating members are required to contribute 4.50% of their annual salary to IMRF. The Village and the Library are required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contribution rate for the fiscal year ended May 31, 2020 was 11.18%, of covered payroll. For the year ended May 31, 2020, salaries totaling \$772,937 were paid that required employer contributions of \$86,431, which was equal to the Library's actual contributions.

Net Pension Liability

At May 31, 2020, the Library reported a liability of \$508,425 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Library's proportion of the net pension liability was based on the Library's actual contributions to the plan for the year ended May 31, 2020 relative to the contributions of the Village, actuarially determined. At May 31, 2020, the Library's proportion was 25.02%.

MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

7. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Actuarial Assumptions

The Library's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of the same date using the following actuarial methods and assumptions.

Actuarial valuation date	December 31, 2019
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.50%
Salary increases	3.35% to 14.25%
Interest rate	7.25%
Cost of living adjustments	3.00%
Asset valuation method	Fair value

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

Discount Rate

The discount rate used to measure the total pension liability at December 31, 2019 was 7.25%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Library's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the IMRF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

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

For the year ended May 31, 2020, the Library recognized pension expense of \$206,437. At May 31, 2020, the Library reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 75,875	\$ 47,106
Changes in assumption	54,263	30,658
Net difference between projected and actual earnings on pension plan investments	-	99,979
Library contributions subsequent to the measurement date	39,149	-
	<hr/>	<hr/>
TOTAL	\$ 169,287	\$ 177,743

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

Fiscal Year Ending April 30,	
2021	\$ (2,165)
2022	(45)
2023	15,327
2024	(60,722)
2025	-
Thereafter	-
	<hr/>
TOTAL	\$ (47,605)

MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Discount Rate Sensitivity

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Library’s proportionate share of the net pension liability	\$ 970,259	\$ 508,425	\$ 129,930

8. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

In addition to providing the pension benefits described, the Library provides postemployment health care benefits (OPEB) for retired employees through a single-employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contributions are governed by the Library and can be amended by the Library through its personnel manual, except for the implicit subsidy which is governed by the State Legislature and Illinois Compiled Statutes (ILCS). The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The activity of the plan is reported in the Library’s governmental activities.

b. Benefits Provided

The Library provides continued health insurance coverage at the active employer rate to all eligible employees in accordance with ILCS, which creates an implicit subsidy of retiree health insurance. To be eligible for benefits, an employee must qualify for retirement under the Library’s retirement plan. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the retiree is no longer eligible to participate in the plan, but can purchase a Medicare supplement plan from the Library’s insurance provider. The retiree pays a blended premium which creates an implicit subsidy.

MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

c. Membership

At May 31, 2019 (most recent data available), membership consisted of:

Retirees and beneficiaries currently receiving benefits	-
Terminated employees entitled to benefits but not yet receiving them	-
Active plan members	<u>11</u>
TOTAL	<u><u>11</u></u>
Participating employers	<u>1</u>

d. Actuarial Assumptions and Other Inputs

The total OPEB liability at May 31, 2020, as determined by an actuarial valuation as of June 1, 2018 using the alternative measurement method, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified. The OPEB liability was rolled forward by the actuary using updated procedures on May 31, 2020, including updating the discount rate at May 31, 2020, as noted below.

Actuarial valuation date	June 1, 2018
Measurement date	May 31, 2020
Actuarial cost method	Entry-Age Normal
Inflation	3.00%
Discount rate	2.16%
Healthcare cost trend rates	Ranging from 7.10% to 7.20% in Fiscal 2019, depending on Plan, to an Ultimate Trend Rate of 5.00%
Asset valuation method	N/A
Mortality rates	RP-2014 with Blue Collar Adjustment improved generationally using MP-2016 Improvement Rates

MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

e. Discount Rate

The discount rate was based on the S&P Municipal Bond 20-year high-grade rate index rate for tax exempt general obligation municipal bonds rated AA or better at May 31, 2020.

f. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
BALANCES AT JUNE 1, 2019	\$ 43,338
Changes for the period	
Service cost	1,116
Interest	1,461
Changes in assumptions	5,868
Implicit benefit payments	(3,394)
Other changes	<u>-</u>
Net changes	<u>5,051</u>
BALANCES AT MAY 31, 2020	<u>\$ 48,389</u>

There was a change in assumptions related to the discount rate in 2020.

g. Rate Sensitivity

The following is a sensitive analysis of total OPEB liability to changes in the discount rate and the healthcare cost trend rate. The table below presents the total OPEB liability of the Library calculated using the discount rate of 2.16% as well as what the Library's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.16%) or 1 percentage point higher (3.16%) than the current rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB liability	\$ 53,961	\$ 48,389	\$ 43,876

MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

g. Rate Sensitivity (Continued)

The table below presents the total OPEB liability of the Library calculated using the healthcare rate of 7.10% to 5.00% as well as what the Library's total OPEB liability would be if it were calculated using a healthcare rate that is 1 percentage point lower (6.10% to 4.00%) or 1 percentage point higher (8.10% to 6.00%) than the current rate:

	1% Decrease (6.10% to 4.00%)	Current Healthcare Rate (7.10% to 5.00%)	1% Increase (8.10% to 6.00%)
Total OPEB liability	\$ 42,591	\$ 48,389	\$ 55,467

h. OPEB Expense

For the year ended May 31, 2020, the Library recognized OPEB expense of \$6,023.

REQUIRED SUPPLEMENTARY INFORMATION

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

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

For the Year Ended May 31, 2020

	Original and Final Budget	Actual
REVENUES		
Taxes	\$ 1,788,249	\$ 1,799,942
Intergovernmental	21,801	22,208
Fines and forfeits	7,000	5,048
Investment income	-	37,131
Miscellaneous	350,000	17,282
	<hr/>	<hr/>
Total revenues	2,167,050	1,881,611
	<hr/>	<hr/>
EXPENDITURES		
Culture and recreation		
Library materials	223,500	211,401
Equipment	520,500	419,136
Administration	269,921	245,405
Personnel	1,153,129	1,023,720
	<hr/>	<hr/>
Total expenditures	2,167,050	1,899,662
	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	(18,051)
FUND BALANCE, JUNE 1		<hr/> 1,562,771
FUND BALANCE, MAY 31		<hr/> \$ 1,544,720 <hr/>

(See independent auditor's report.)

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

May 31, 2020

BUDGETS

The budget is prepared by fund, function and activity and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

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

The budget may be amended only by the governing body. The budget was not amended in the current fiscal year.

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General Fund. All annual appropriations lapse at fiscal year end.

Expenditures may not legally exceed budgeted appropriations at the fund level.

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND**

Last Five Fiscal Years

FISCAL YEAR ENDED MAY 31,	2016	2017	2018	2019	2020
Contractually determined contribution	\$ 65,449	\$ 75,112	\$ 81,852	\$ 83,607	\$ 86,431
Contributions in relation to the contractually determined contribution	65,449	75,112	81,852	83,607	86,431
CONTRIBUTION DEFICIENCY (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 545,366	\$ 590,258	\$ 714,574	\$ 770,147	\$ 772,937
Contributions as a percentage of covered payroll	12.00%	12.73%	11.45%	10.86%	11.18%

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of December 31 of the prior year. Additional information as of the latest actuarial valuation is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed and the remaining amortization period was 25 years; the asset valuation method was five-year smoothed market; and the significant actuarial assumptions were an investment rate of return of 7.50% annually, projected salary increases assumption of 3.75% to 14.50% compounded annually and postretirement benefit increases of 3.00% compounded annually.

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

(See independent auditor's report.)

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

SCHEDULE OF EMPLOYER'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
ILLINOIS MUNICIPAL RETIREMENT FUND

Last Five Calendar Years

MEASUREMENT DATE DECEMBER 31,	2015	2016	2017	2018	2019
Employer's proportion of the net pension liability	23.40%	24.05%	24.05%	26.02%	25.02%
Employer's proportionate share of the net pension liability	\$ 459,093	\$ 433,226	\$ 300,591	\$ 727,681	\$ 508,425
Employer's covered payroll	545,366	590,258	737,041	748,637	772,937
Employer's proportionate share of the net pension liability as a percentage of it's covered payroll	84.18%	73.40%	40.78%	97.20%	65.78%
Plan fiduciary net position as a percentage of the total pension liability	79.45%	81.91%	88.34%	76.68%	83.61%

Notes to Required Supplementary Information

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

(See independent auditor's report.)

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

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

Last Two Fiscal Years

MEASUREMENT DATE MAY 31,	2019	2020
TOTAL OPEB LIABILITY		
Service cost	\$ 1,053	\$ 1,116
Interest	1,546	1,461
Difference between expected and actual experience	-	-
Changes in assumptions	1,040	5,868
Benefit payments	(2,413)	(3,394)
Other changes	-	-
Net change in total OPEB liability	1,226	5,051
Total OPEB liability - beginning	42,112	43,338
TOTAL OPEB LIABILITY - ENDING	\$ 43,338	\$ 48,389
Covered payroll	\$ 544,346	\$ 570,706
Employer's total OPEB liability as a percentage of covered payroll	7.96%	8.48%

In 2019 and 2020, there was a change in assumptions related to the discount rate.

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

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

(See independent auditor's report.)

INDIVIDUAL FUND SCHEDULES

GENERAL FUND

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

**SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND**

For the Year Ended May 31, 2020

	Original and Final Budget	Actual
TAXES		
Property taxes - current	\$ 1,788,249	\$ 1,786,052
Personal property replacement taxes	-	13,890
Total taxes	<u>1,788,249</u>	<u>1,799,942</u>
INTERGOVERNMENTAL		
Per capita grant	21,801	21,801
Other grants	-	407
Total intergovernmental	<u>21,801</u>	<u>22,208</u>
FINES AND FORFEITS		
Fines	7,000	5,048
Total fines and forfeits	<u>7,000</u>	<u>5,048</u>
INVESTMENT INCOME	-	<u>37,131</u>
MISCELLANEOUS		
Copier, fax and computer rental	-	6,190
Book sales	-	3,665
Nonresident fees	-	199
Gifts and donations	-	5,785
Impact fees	-	720
Special reserve	350,000	-
Miscellaneous	-	723
Total miscellaneous	<u>350,000</u>	<u>17,282</u>
TOTAL REVENUES	<u><u>\$ 2,167,050</u></u>	<u><u>\$ 1,881,611</u></u>

(See independent auditor's report.)

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended May 31, 2020

	Original and Final Budget	Actual
CULTURE AND RECREATION		
Library materials		
Books	\$ 172,500	\$ 163,358
Periodicals	13,000	15,019
Audiovisual	38,000	33,024
Total library materials	223,500	211,401
Equipment		
Furniture and fixtures	3,000	6,238
Library supplies and postage	36,000	28,197
Janitorial supplies	4,000	4,591
Automation	127,500	142,552
Building project	350,000	237,558
Total equipment	520,500	419,136
Administration		
Maintenance	107,100	101,523
Utilities	12,000	10,495
Telephone	14,000	14,396
Insurance	25,000	21,872
Staff development	20,000	14,856
Professional fees	58,200	47,077
Programming	20,000	20,746
Miscellaneous	13,621	14,440
Total administration	269,921	245,405
Personnel		
Salaries	900,000	797,560
Benefits	104,020	78,943
IMRF	87,242	86,431
FICA	61,867	60,786
Total personnel	1,153,129	1,023,720
TOTAL EXPENDITURES	\$ 2,167,050	\$ 1,899,662

(See independent auditor's report.)

SUPPLEMENTAL SECTION

**MESSENGER PUBLIC LIBRARY
NORTH AURORA, ILLINOIS**

PROPERTY TAX ASSESSED VALUATIONS, RATES, EXTENSIONS AND COLLECTIONS

Last Ten Levy Years

Tax Levy Year	2019		2018		2017		2016		2015	
ASSESSED VALUATION	\$	559,300,173	\$	535,501,856	\$	504,256,743	\$	486,775,760	\$	460,226,774
	Rate*	Amount	Rate*	Amount	Rate*	Amount	Rate*	Amount	Rate*	Amount
TAX EXTENSIONS										
Corporate	0.3084	\$ 1,725,083	0.3139	\$ 1,681,149	0.3233	\$ 1,630,222	0.3275	\$ 1,594,332	0.3409	\$ 1,569,079
Building maintenance	0.0188	105,395	0.0200	107,100	0.0200	100,851	0.0195	94,877	0.0199	91,603
TOTAL TAX EXTENSIONS	0.3272	\$ 1,830,478	0.3339	\$ 1,788,249	0.3433	\$ 1,731,073	0.3470	\$ 1,689,209	0.3608	\$ 1,660,682
TOTAL TAX COLLECTIONS		<u>\$ 89,203</u>		<u>\$ 1,786,052</u>		<u>\$ 1,729,425</u>		<u>\$ 1,662,533</u>		<u>\$ 1,637,598</u>
PERCENT COLLECTED		<u>4.87%</u>		<u>99.88%</u>		<u>99.90%</u>		<u>98.42%</u>		<u>98.61%</u>
Tax Levy Year	2014		2013		2012		2011		2010	
ASSESSED VALUATION	\$	430,872,837	\$	426,862,294	\$	462,072,213	\$	496,294,706	\$	542,815,814
	Rate*	Amount	Rate*	Amount	Rate*	Amount	Rate*	Amount	Rate*	Amount
TAX EXTENSIONS										
Corporate	0.3543	\$ 1,526,604	0.3477	\$ 1,484,217	0.3113	\$ 1,438,537	0.2804	\$ 1,391,357	0.2482	\$ 1,347,470
Building maintenance	0.0198	85,119	0.0188	80,447	0.0183	84,776	0.0165	81,993	0.0181	97,940
TOTAL TAX EXTENSIONS	0.3741	\$ 1,611,723	0.3665	\$ 1,564,664	0.3296	\$ 1,523,313	0.2969	\$ 1,473,350	0.2663	\$ 1,445,410
TOTAL TAX COLLECTIONS		<u>\$ 1,605,740</u>		<u>\$ 1,559,980</u>		<u>\$ 1,518,802</u>		<u>\$ 1,468,376</u>		<u>\$ 1,441,357</u>
PERCENT COLLECTED		<u>99.63%</u>		<u>99.70%</u>		<u>99.70%</u>		<u>99.66%</u>		<u>99.72%</u>

* Property tax rates are per \$100 of assessed valuation.

(See independent auditor's report.)