

**City of Highwood Public Library**  
(A Component Unit of the City of Highwood, Illinois)  
Annual Financial Report  
April 30, 2021



**City of Highwood Public Library**  
(A Component Unit of the City of Highwood, Illinois)  
**April 30, 2021**

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## **Introductory Section**

**City of Highwood Public Library**  
(A Component Unit of the City of Highwood, Illinois)  
**Principal Officials**  
**April 30, 2021**

**BOARD OF TRUSTEES**

Lucy Hospodarsky, President

Janell Cleland, Vice President

Catherine Regalad, Secretary

Nora Loreda, Treasurer

Barbara Cizek Trustee

Bertha Chavez, Trustee

Diana Guerrero, Trustee

Jason Muelver, Trustee

**ADMINISTRATION**

Carmen Patlan, Executive Director

## **Financial Section**

## Independent Auditor's Report

Members of the Board of Trustees  
City of Highwood Public Library  
Highwood, Illinois

We have audited the accompanying financial statements of the governmental activities, the major fund and the discretely presented component unit of City of Highwood Public Library, a component unit of the City of Highwood, Illinois, as of and for the year ended April 30, 2021, 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 did not audit the financial statements of Friends of the Highwood Public Library, which is a discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion on the discretely presented component unit, insofar as it relates to the amounts included for the Friends of the Highwood Public Library, is based solely on the report of the other auditors. 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, the major fund and the discretely presented component unit of City of Highwood Public Library as of April 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the pension 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### *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 introductory section as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory 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 it.

**BKD, LLP**

**City of Highwood Public Library**  
(A Component Unit of the City of Highwood, Illinois)  
**Statement of Net Position**  
**April 30, 2021**

	<u>City of Highwood Public Library</u>	<u>Discretely Presented Component Unit</u>
	<u>Governmental Activities</u>	<u>Friends of the Highwood Public Library</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 332,567	\$ 419,083
Receivables		
Property taxes	296,326	-
Prepaid items	681	-
Due from primary government	829	-
Capital assets	458,039	-
Net pension asset	88,172	-
	<hr/>	<hr/>
Total assets	1,176,614	419,083
<b>Deferred Outflows of Resources</b>		
Deferred outflows of resources - pensions	5,168	-
	<hr/>	<hr/>
Total assets and deferred outflows of resources	<u>\$ 1,181,782</u>	<u>\$ 419,083</u>
<b>Liabilities</b>		
Accounts payable	\$ 7,675	\$ 1,746
Accrued payroll	18,011	-
Unearned revenue - grants	124,402	-
	<hr/>	<hr/>
Total liabilities	150,088	1,746
<b>Deferred Inflows of Resources</b>		
Unavailable property taxes	292,501	-
Deferred inflows of resources - pensions	73,584	-
	<hr/>	<hr/>
Total deferred inflows of resources	366,085	-
<b>Net Position</b>		
Investment in capital assets	458,039	-
Restricted for civic and cultural	-	333,749
Unrestricted	207,570	83,588
	<hr/>	<hr/>
Total net position	665,609	417,337
	<hr/>	<hr/>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,181,782</u>	<u>\$ 419,083</u>



**City of Highwood Public Library**  
(A Component Unit of the City of Highwood, Illinois)  
**Statement of Activities**  
**Year Ended April 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit
<b>Primary Government</b>						
Governmental activities						
Civic and cultural	\$ 449,596	\$ 164	\$ 190,241	\$ -	\$ (259,191)	\$ -
<b>Component Unit</b>						
Friends of City of Highwood Public Library	\$ 108,403	\$ -	\$ 408,381	\$ -	\$ 299,978	\$ 299,978
<b>General Revenues</b>						
Property taxes					\$ 291,644	\$ -
Unrestricted investment earnings					74	-
Miscellaneous					6,281	1,128
Total general revenues					<u>297,999</u>	<u>1,128</u>
<b>Change in Net Position</b>					<u>38,808</u>	<u>301,106</u>
<b>Net Position</b>						
May 1					626,801	101,231
Restatement (Note 1)					-	15,000
May 1, as restated					<u>626,801</u>	<u>116,231</u>
April 30					<u>\$ 665,609</u>	<u>\$ 417,337</u>

**City of Highwood Public Library**  
(A Component Unit of the City of Highwood, Illinois)  
**Balance Sheet – Governmental Funds**  
**April 30, 2021**

	<u>General Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 332,567
Receivables	
Property taxes	296,326
Prepaid items	681
Due from primary government	<u>829</u>
Total assets	<u><u>\$ 630,403</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 7,675
Accrued payroll	18,011
Unearned revenue - grants	<u>124,402</u>
Total liabilities	<u>150,088</u>
<b>Deferred Inflows of Resources</b>	
Unavailable property taxes	<u>292,501</u>
<b>Fund Balances</b>	
Nonspendable	681
Unassigned	<u>187,133</u>
Total fund balance	<u>187,814</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 630,403</u></u>

**City of Highwood Public Library**  
 (A Component Unit of the City of Highwood, Illinois)  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**April 30, 2021**

<b>Total Fund Balances - Governmental Funds</b>	\$ 187,814
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 funds.	458,039
Net pension asset used in governmental activities are not financial resources and, therefore, are not reported in the funds.	88,172
Deferred outflows of resources related to pensions are recorded on the statement of net position.	5,168
Deferred inflows of resources related to pensions are recorded on the statement of net position.	<u>(73,584)</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 665,609</u></u>

**City of Highwood Public Library**  
 (A Component Unit of the City of Highwood, Illinois)  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balances – Governmental Funds**  
**Year Ended April 30, 2021**

	<u><b>General Fund</b></u>
<b>Revenues</b>	
Property taxes	\$ 291,644
Intergovernmental	9,712
Grants and contributions	180,529
Charges for services	164
Investment income	74
Miscellaneous	6,281
Total revenues	<u>488,404</u>
<b>Expenditures</b>	
Civic and cultural	471,985
Capital outlay	4,777
Total expenditures	<u>476,762</u>
<b>Net Change in Fund Balance</b>	11,642
<b>Fund Balance</b>	
May 1	<u>176,172</u>
April 30	<u><u>\$ 187,814</u></u>

**City of Highwood Public Library**  
 (A Component Unit of the City of Highwood, Illinois)  
**Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities**  
**Year Ended April 30, 2021**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 11,642
<p>Amounts reported for governmental activities in the statement of activities are different because</p>	
<p>Governmental funds report capital outlay as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.</p>	
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements.	24,833
Depreciation is reported in the government-wide financial statements.	(24,374)
<p>Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>	
Changes in	
Deferred outflows of resources - pensions	1,754
Net pension asset	80,895
Deferred inflows of resources - pensions	(55,942)
	(55,942)
<b>Change in Net Position</b>	<b>\$ 38,808</b>

**City of Highwood Public Library**  
(A Component Unit of the City of Highwood, Illinois)  
**Notes to the Financial Statements**  
**April 30, 2021**

**Note 1: Summary of Significant Accounting Policies**

The accounting and reporting policies of the City of Highwood Public Library (Library) relating to the accompanying basic financial statements conform to generally accepted accounting principles (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Library's accounting policies are described below.

***Reporting Entity***

The Library is a legally separate entity whose Board is appointed by the Mayor and confirmed by the City Council. The Library may not issue bonded debt without the City of Highwood, Illinois' (City) approval, and its property tax levy is incorporated with the City's levy. The Library is reported as a discretely presented component unit of the City. The Library follows the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. As defined by generally accepted accounting principles established by GASB, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate, tax-exempt entities and meet all of the following criteria:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The Library concluded that Friends of the Highwood Public Library is a component unit and the audited financial statements have been presented as a discrete column in the statement of net position and statement of activities of the Library. Friends of the Highwood Public Library is a nonprofit organization established to support the Highwood Public Library, focus attention on Library services, facilities, and needs, promote the welfare and growth of the Library and receive and encourage gifts and bequests to the Library.

***Government-Wide and Fund Financial Statements***

***Government-Wide Financial Statements***

The government-wide statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. The financial activities of the Library consist entirely of governmental activities. Governmental activities generally are financed through taxes and intergovernmental revenues.

**City of Highwood Public Library**  
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**Notes to the Financial Statements**  
**April 30, 2021**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to residents who purchase, use or directly benefit from goods, services or privileges provided by a given function. Taxes, intergovernmental revenues and other income items that are not specifically related to a function are reported as general revenues.

***Fund Financial Statements***

The Library has one fund. The Library's General Fund is its primary operating fund. It accounts for all financial resources of the general government.

***Basis of Accounting***

The government-wide statement of net position and statement of activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The current financial resources measurement focus and the modified accrual basis of accounting are followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, *i.e.*, both measurable and available to finance the Library's operations. "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.

Property taxes, investment earnings and charges for services are the primary revenue sources susceptible to accrual. All other revenues are recognized when cash is received. Expenditures are recorded when the related fund liability is incurred.

The Library reports unearned/unavailable revenues on its government funds balance sheet. For governmental fund financial statements, unearned/unavailable revenues occur when potential revenue either does not meet both the "measurable" and "available" criteria for recognition in the current period, or when resources are received by the Library before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the Library has a legal claim to the resources, the liability for unearned/unavailable revenue is removed from the governmental funds balance sheet and revenue is recognized accordingly.

***Measurement Focus***

On the government-wide statement of net position and statement of activities, governmental activities are presented using the flow of economic resources measurement focus, which means all

**City of Highwood Public Library**  
(A Component Unit of the City of Highwood, Illinois)  
**Notes to the Financial Statements**  
**April 30, 2021**

assets and liabilities (whether current or noncurrent) are included in the statement of net position and the operating statements present increases and decreases in net total assets.

The measurement focus of all governmental funds is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays, debt proceeds and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or a reservation of fund equity. Liabilities for claims, judgments, compensated absences and pension contributions, which will not be currently liquidated using expendable available financial resources are included as liabilities in the government-wide financial statements, but are excluded from the governmental funds financial statements. The related expenditures are recognized in the governmental fund financial statements when the liabilities are liquidated.

***Accounting Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows/inflows of resources, 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.

***Budgetary Data and Budgetary Accounting***

The Library annually submits a budget, levy and appropriation to the City. The budget, levy and appropriation are prepared on the same basis and uses the same accounting practices as are used in the fund financial statements.

An annual appropriated budget is adopted for the General Fund. Unexpended budget amounts lapse at the end of the budget year. Spending controls for the fund are established by the amount of expenditures budgeted for the fund, but management control is exercised at budgetary line level items.

Expenditures may not exceed appropriations. All budget revisions at this level are subject to final review by the City. Within these control levels, management may transfer appropriations without City approval.

***Capital Assets***

In the government-wide financial statements, the Library has adopted a capitalization threshold of \$10,000 (except for library materials) for capital asset additions. All capital assets are valued at historical cost or estimated historical cost if actual cost is unavailable. Donated capital assets are stated at their acquisition value as of the date donated.

Depreciation of capital assets is recorded as an expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over



**City of Highwood Public Library**  
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**Notes to the Financial Statements**  
**April 30, 2021**

the assets' estimated useful lives using the straight-line method of depreciation. This range of estimated useful lives by type of asset is as follows:

Building and improvements	20 to 50 years
Machinery and equipment	5 to 20 years

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

***Deferred Outflows/Inflows of Resources***

The Library's reports deferred inflows of resources on its statement of net position and governmental funds balance sheet. Deferred inflows of resources arise when resources are received by the Library that represent an acquisition of an asset that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. In subsequent periods, when the Library has a legal claim to the resources, the deferred inflow of resources is removed from the balance sheet and revenue is recognized. The Library has two items that qualify for reporting in this category; the deferred inflows of resources related to the IMRF plan reported in the government-wide statement of net position and the unavailable revenue relating to property taxes in the governmental funds balance sheet. The deferred inflows of resources result from the following: the variance between expected and actual experience of the total pension liability and property tax revenues that do not provide for current financial resources.

The Library reports deferred outflows of resources on its statement of net position. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The Library has one item that qualifies for reporting in this category; the deferred outflows of resources related to the IMRF plan reported in the government-wide statement of net position. The deferred outflows of resources related to pensions result from contributions to the defined benefit pension plan subsequent to the plan's year end through the Library's fiscal year end and the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings.

***Property Taxes***

Property taxes for levy year 2020 attached as an enforceable lien on January 1, 2020, on property values assessed as of the same date. Taxes are levied by December following the lien date (by passage of a Tax Levy Ordinance). Property taxes for levy year 2020 still outstanding as of April 30, 2021, are recorded as receivables. The 2021 tax levy, which attached as an enforceable lien on the property as of January 1, 2021, has not been recorded as a receivable and deferral as of April 30, 2021, as the tax has not yet been levied by the Library and will not be levied until December 2021. Therefore, the levy is not measurable at April 30, 2021. The property tax receivable at April 30, 2021, is related to remaining distributions on the 2020 levy.

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

**City of Highwood Public Library**  
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The County collects the property taxes and remits them periodically. The 2020 property tax levy is recognized as a receivable and deferral in fiscal 2021, net of the allowance for uncollectible. As the taxes become available to finance current expenditures, they are recognized as revenues at the fund and entity-wide levels. At April 30, 2021, the property taxes receivable and deferred inflows consisted of the estimated amount collectible from the 2020 levy.

***Equity Classifications***

*Government-Wide Financial Statements*

Equity is classified as net position and displayed in three components:

Net Investment in Capital Assets – consists of capital assets, net of accumulated depreciation and net of related debt.

Restricted Net Position – consists of net position with constraints placed on its use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – consists of all other net position that does not meet the definition of restricted or invested in capital assets.

*Fund Financial Statements*

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* defines how fund balances of governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable Fund Balance – amounts that are not in nonspendable form (such as prepaid items) or are required to be maintained intact.

Unassigned Fund Balance – amounts that are available for any purpose.

***Restatement – Component Unit***

The \$15,000 restatement is to correct the beginning balance of grants receivable of Friends of the Highwood Public Library.

**City of Highwood Public Library**  
(A Component Unit of the City of Highwood, Illinois)  
**Notes to the Financial Statements**  
**April 30, 2021**

**Note 2: Deposits and Investments**

At April 30, 2021, the Library has the following cash and investment balances:

	<b>Carrying Value</b>	<b>Bank Statement Balance</b>
Deposits	\$ 312,455	\$ 322,790
Illinois Metropolitan Investment Fund	20,112	20,112
	\$ 332,567	\$ 342,902

Friends of the Highwood Public Library has cash with carrying value and bank balance of \$419,083 at April 30, 2021.

***Custodial Credit Risk***

*Deposits*

Custodial credit risk is the risk that in the event of a financial institution failure, the Library’s deposits may not be returned to the Library.

*Investments*

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.

Library’s unsecured and uncollateralized bank deposits amounted to \$72,790 at April 30, 2021.

*Interest Rate Risk*

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

**City of Highwood Public Library**  
(A Component Unit of the City of Highwood, Illinois)  
**Notes to the Financial Statements**  
**April 30, 2021**

**Note 3: Capital Assets**

A summary of changes in capital assets for governmental activities of the Library is as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Building and improvements	\$ 1,120,894	\$ -	\$ -	\$ 1,120,894
Machinery and equipment	1,282,000	24,833	-	1,306,833
Less accumulated depreciation	<u>(1,945,314)</u>	<u>(24,374)</u>	<u>-</u>	<u>(1,969,688)</u>
	<u>\$ 457,580</u>	<u>\$ 459</u>	<u>\$ -</u>	<u>\$ 458,039</u>

Total depreciation expense for the year charged to civic and cultural expenses was \$24,374.

**Note 4: Risk Management**

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omission; injuries to employees and natural disasters. The Library is included on all of the City’s insurance policies. The City will issue the Library an invoice and the Library will then reimburse the City for their share of the expenses. Risks covered include general liability, workers’ compensation, medical and other. The amount of coverage has not been decreased nor have the amount of settlements exceeded coverage in any of the past three fiscal years.

**Note 5: Defined Benefit Pension Plan**

The Library contributes, through the City, to the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system. However, the Library’s participation in IMRF is equivalent to a cost-sharing, multiple-employer pension plan since only one actuarial valuation is performed for both the City and the Library combined. All disclosures for an agent plan can be found in the City’s annual financial report.

***Benefits Provided***

Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least 8 years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with 8 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of

**City of Highwood Public Library**  
(A Component Unit of the City of Highwood, Illinois)  
**Notes to the Financial Statements**  
**April 30, 2021**

service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after 10 years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with 10 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of: 3% of the original pension amount, or one-half of the increase in the Consumer Price Index of the original pension amount.

**Contributions**

As set by statute, the Library's plan members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Library's annual contribution rate for calendar years 2020 and 2021 was 8.69% and 8.13%, respectively. For the year ended April 30, 2021, salaries totaling \$125,470 were paid that required employer contribution of \$10,286 which equals to the Library's actual contribution.

**Net Pension Asset**

At April 30, 2021, the Library reported a net pension asset of \$88,172 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2020, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Library's proportion of the net pension asset was based in the Library's actual contribution to the plan for the year ended December 31, 2020, relative to the contributions of the City, actuarially determined. At April 30, 2021, the Library's proportion was 16.03% of the total contribution.

**Actuarial Assumptions**

The following are the methods and assumptions used to determine the total pension liability as of December 31, 2020:

- The actuarial cost method was entry-age normal.
- The asset valuation method was market value of assets.
- The inflation rate was assumed to be 2.25%.
- Salary increases were expected to be 2.85% to 13.75%
- The investment rate of return was assumed to be at 7.25%

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- Projected retirement age was from the Experienced-Based Table of Rates, specific to the type of eligibility condition, last updated for the 2017 valuation according to an experience study of the period 2014 to 2016.
- Mortality - for nondisabled retirees, IMRF-specific mortality rates were used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Blue Collar Healthy Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, IMRF-specific mortality rates were used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for nondisabled lives. For active members, IMRF-specific mortality rates were used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

***Discount Rate***

A single discount rate (SDR) of 7.25% (same in prior year) was used to measure the total pension liability. The projection of cash flow used to determine the SDR assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met). For the purpose of the recent valuation, the expected rate of return on plan investments is 7.25%, the municipal bond rate is 2.00%, and the resulting SDR is 7.25%.

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

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

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Library's net pension liability (asset)	\$ 17,482	\$ (88,172)	\$ (169,613)

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

For the year ended April 30, 2021, the Library recognized pension expense of (\$23,260). At April 30, 2021, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Deferred Amounts Related to Pensions</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,220	\$ -
Changes of assumptions	-	2,696
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>70,888</u>
Total deferred amounts to be recognized in pension expense in future periods	2,220	73,584
Pension contributions made subsequent to the measurement date	<u>2,948</u>	<u>-</u>
	<u>\$ 5,168</u>	<u>\$ 73,584</u>

The contributions of \$2,948 were made after the plan's measurement date and will be recognized in pension expense for the fiscal year ending April 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to IMRF will be recognized in pension expense as follows:

<b>Year Ending April 30,</b>	<b>Regular</b>
2022	\$ (22,823)
2023	(8,736)
2024	(28,272)
2025	<u>(11,533)</u>
	<u>\$ (71,364)</u>

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**Note 6: Future Accounting Pronouncements**

***GASB Statement No. 87, Leases (GASB 87)***

In June 2017, GASB published Statement No. 87, *Leases*. The standard was the result of a multi-year project to reexamine the accounting and financial reporting for leases. The new standard establishes a single model for lease accounting based on the principle that leases represent the financing of the right to use an underlying asset. Specifically, GASB 87 includes the following accounting guidance for lessees and lessors:

Lessee Accounting – A lessee will recognize a liability measured at the present value of payments expected to be made for the lease term, and an intangible asset measured at the amount of the initial lease liability, plus any payments made to the lessor at or before the beginning of the lease and certain indirect costs. A lessee will reduce the liability as payments are made and recognize an outflow of resources for interest on the liability. The asset will be amortized by the lessee over the shorter of the lease term or the useful life of the asset.

Lessor Accounting – A lessor will recognize a receivable measured at the present value of the lease payments expected for the lease term and a deferred inflow of resources measured at the value of the lease receivable plus any payments received at or prior to the beginning of the lease that relate to future periods. The lessor will reduce the receivable as payments are received and recognize an inflow of resources from the deferred inflow of resources in a systematic and rational manner over the term of the lease. A lessor will not derecognize the asset underlying the lease. There is an exception for regulated leases for which certain criteria are met, such as airport-aeronautical agreements.

The lease term used to measure the asset or liability is based on the period in which the lessee has the noncancelable right to use the underlying asset. The lease term also contemplates any lease extension or termination option that is reasonably certain of being exercised.

GASB 87 does not apply to leases for intangible assets, biological assets (*i.e.*, timber and living plants and animals), service concession agreements or leases in which the underlying asset is financed with conduit debt that is reported by the lessor. Additionally, leases with a maximum possible term of 12 months or less are excluded. The effective date is for periods beginning after June 15, 2021.

Management has not currently determined what impact, if any, this Statement may have on its financial statements.



## **Required Supplementary Information**

**City of Highwood Public Library**  
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**Required Supplementary Information**  
**Schedule of Employer Contributions**  
**Illinois Municipal Retirement Fund**  
**April 30, 2021**

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
4/30/2021	\$ 10,286	\$ 10,286	\$ -	\$ 120,705	8.52%
4/30/2020	5,697	5,697	-	60,438	9.43%
4/30/2019	5,532	5,532	-	53,270	10.38%
4/30/2018	9,386	9,386	-	83,054	11.30%
4/30/2017	9,222	9,222	-	77,774	11.86%
4/30/2016	8,427	8,427	-	73,314	11.49%

**Notes to Required Supplementary Information**

Valuation date Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported. The actuarially determined contribution is included in the property tax levy for the current year. The levy is collected in two installments. One in the current year and one in the subsequent fiscal year.

**Methods and Assumptions Used to Determine 2020 Contribution Rates**

Actuarial cost method	Aggregate entry-age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	23-years closed period
Asset valuation method	5-year smoothed market; 20% corridor
Wage growth	3.25%
Price inflation	2.50% approximate; no explicit price inflation assumption is used in this valuation.
Salary increases	3.35% to 14.25%, including inflation
Investment rate of return	7.25%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2014-2016.
Mortality	For nondisabled retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same 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 2015). The IMRF-specific rates were developed from the RP-2015 Employee Mortality Table with adjustments to match current IMRF experience.
Other	There were no benefit changes during the year.

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.

**City of Highwood Public Library**  
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**Required Supplementary Information**  
**Schedule of Employers Proportionate Share of the Net Pension Liability**  
**Illinois Municipal Retirement Fund**  
**April 30, 2021**

<b>Fiscal Year Ending April 30,</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Employer's proportion of the net pension liability (asset)	16.03%	8.08%	8.08%	11.41%	11.41%	11.41%
Employer's proportionate share of the net pension liability	\$ (88,172)	\$ (7,277)	\$ 31,377	\$ 10,412	\$ 49,641	\$ 51,417
Employer's covered payroll	125,470	58,229	53,731	83,388	75,153	72,938
Employer's proportionate share of the net pension liability as a percentage of it's covered payroll	(70.27)%	(12.50)%	58.40%	12.49%	66.05%	70.49%
Plan fiduciary net position as a percentage of the total pension liability	110.57%	101.80%	91.83%	98.11%	90.49%	89.80%

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.

**City of Highwood Public Library**  
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**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual  
General Fund  
Year Ended April 30, 2021**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance With Budget Over (Under)</b>
<b>Revenues</b>			
Property taxes	\$ 292,500	\$ 291,644	\$ (856)
Intergovernmental	13,200	9,712	(3,488)
Grants and contributions	-	180,529	180,529
Charges for services	1,820	164	(1,656)
Investment income	414	74	(340)
Miscellaneous	792	6,281	5,489
Total revenues	308,726	488,404	179,678
<b>Expenditures</b>			
Civic and cultural	305,743	471,985	166,242
Capital outlay	4,855	4,777	(78)
Total expenditures	310,598	476,762	345,842
<b>Net Change in Fund Balance</b>	<b>\$ (1,872)</b>	11,642	<b>\$ (166,164)</b>
<b>Fund Balance</b>			
May 1		176,172	
April 30		\$ 187,814	