

HOPKINS DISTRICT LIBRARY
FINANCIAL STATEMENTS
For the year ended December 31, 2019

TABLE OF CONTENTS

Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 5
Basic Financial Statements:	
Governmental Fund Balance Sheet/Statement of Net Position	6
Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statement of Activities	7
Notes to Financial Statements	8 - 15
Required Supplementary Information:	
Budgetary Comparison Schedule	16



WALKER, FLUKE & SHELDON, PLC

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Hopkins District Library
Hopkins, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Hopkins District Library, Hopkins, Michigan, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Hopkins District Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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 opinion.

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 of Hopkins District Library, as of December 31, 2019, 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 management's discussion and analysis and budgetary comparison information on pages 3 through 5 and page 16, 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 statement 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.

Hastings, Michigan
June 18, 2020

Walker, Finkle & Shuldt, PLLC

Management's Discussion and Analysis

As the Board of Hopkins District Library, we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of Hopkins District Library for the fiscal year ended December 31, 2019. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Library. We encourage readers to consider this information in conjunction with the letter of transmittal, which begins on page 1, and the financial statements, which begin on page 6.

Financial Highlights

- The assets of Hopkins District Library exceeded its liabilities at the close of the most recent fiscal year by \$424,481 (net position) compared to \$398,874 from the prior year. Of this amount, \$342,106 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$25,607 compared to an increase of \$31,167 from the prior year.
- As of the close of the current fiscal year, the Library's governmental fund reported an ending fund balance of \$336,980 an increase of \$42,414 compared to a fund balance of \$294,566 an increase of \$16,648 from the prior year.

The basic financial statements include information that presents two different views of the Library:

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These Fund Financial Statements focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method.
- The government wide financial statement columns provide both long-term and short-term information about the Library's overall financial status. The statement of net position and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short-term as well as what remains for future spending.

The financial statements can be found on pages 6-7 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 8-15 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The Library adopts an annual budget for its general fund. Within the required supplementary information, a budget comparison statement has been provided for the general fund to demonstrate compliance with the budget.

Required supplementary information can be found on page 16 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Hopkins District Library, assets exceeded liabilities by \$424,481 at the close of the most recent fiscal year.

A large portion of the Library's net position (80.59 percent) reflects its unrestricted net position (\$342,106), which may be used to meet the government's ongoing obligations to citizens and creditors. A small portion of the library's net position (.24 percent) is net position that is restricted by donor requirements (\$1,000). The remaining portion of the Library's net position (19.17 percent) reflects its investment in capital assets (e.g. land, buildings, equipment and furniture and fixtures) (\$81,375). The Library uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Hopkins District Library's Condensed Financial Data

	2019	2018
	Governmental Activities	Governmental Activities
Current and Other Assets	\$ 344,046	\$ 318,014
Capital Assets not being Depreciated	10,800	10,800
Capital Assets being Depreciated	70,575	71,080
Total Assets	425,421	399,894
Short-Term Liabilities	940	1,020
Long-Term Liabilities	-	-
Total Liabilities	940	1,020
Net Position		
Invested in Capital Assets, Net of		
Related Debt	81,375	81,880
Restricted	1,000	1,000
Unrestricted	342,106	315,994
Total Net Position	\$ 424,481	\$ 398,874
Expenditures/Expenses		
Governmental Activities		
Recreation and Cultural	\$ 106,882	\$ 102,443
Total Expenditures/Expenses	106,882	102,443
Program Revenues		
Library Fines, Fees, Rentals and Sales	2,091	2,421
Contributions and Donations	250	375
General Revenues		
Property Taxes	94,787	91,685
State Aid	3,695	4,904
Penal Fines	28,656	30,953
Interest and Rentals	627	627
Other Revenue	2,383	2,545
Total Program and General Revenues	132,489	133,510
Gain on Sale of Fixed Assets	-	100
Change in Net Position	\$ 25,607	\$ 31,167

At the end of the current fiscal year, the Library is able to report positive balances in all categories of net position.

Governmental activities. Governmental activities increased the Library's net position by \$25,607 mainly due to ample tax revenues, and well managed spending choices.

Financial Analysis of the Library's Funds

As noted earlier, the Library used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Library's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Library's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a Library's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Library's governmental fund reported an ending fund balance of \$336,980 an increase of \$42,414 in comparison with the prior year. This increase was due to an increase in the collected tax revenue.

The general fund is the only fund of the Library. At the end of the current fiscal year, unassigned fund balance of the general fund was \$335,980 and the total fund balance was \$336,980. Unassigned fund balance represents 315.84% of the total general fund expenditures.

Library Budgetary Highlights

During 2019, the Library board decreased its expenditures budget by less than 1%. The revenue budget did not change. The overall revenue for 2019 was greater than what was budgeted with the greatest over budget item being the receipt of property taxes. Overall expenditures were less than total amount budgeted.

Capital Assets

The Library's investment in capital assets for its governmental activities as of December 31, 2019, amounts to \$81,375 (net of accumulated depreciation). This investment in capital assets includes books, leasehold improvements, furniture and computer equipment.

Capital outlay expenditures in 2019 were for the purchase of books, bathroom tiling, and library furniture. Details of the Library's capital assets are continued in the notes to the financial statements on page 12.

Economic Factors and Next Year's Budgets and Rates

The Hopkins District Library considered many factors when creating next year's budget. The Library expects property taxes to still increase slightly in Hopkins, Watson and Monterey Townships (the library's main source of revenue). However, given the economic impact of the pandemic, they expect to see a decrease in penal fines during months where less people are on the streets. The Library also expects library expenditures to increase at a normal inflationary rate. As in years past, Hopkins District Library plans to actively seek out and apply for grants to offset rising prices for some library services and to add new services throughout the coming year.

Requests for Information

This financial report is designed to provide a general overview of Hopkins District Library's finances for all those with an interest in the Library's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Hopkins District Library, 118 E. Main Hopkins, MI 49328 269-793-7516.

HOPKINS DISTRICT LIBRARY
GOVERNMENTAL FUND BALANCE SHEET/
STATEMENT OF NET POSITION
DECEMBER 31, 2019

ASSETS	General Fund	Adjustments (See Notes)	Statement of Net Position
Cash and Cash Equivalents	\$ 222,062	\$ -	\$ 222,062
Investments	45,112	-	45,112
Taxes Receivable	75,872	-	75,872
Restricted Assets	1,000	-	1,000
Capital Assets (Net of Accumulated Depreciation)	<u>-</u>	<u>81,375</u>	<u>81,375</u>
 Total Assets	 <u>\$ 344,046</u>	 <u>81,375</u>	 <u>425,421</u>
 LIABILITIES			
Accounts Payable	\$ -	-	-
Accrued Liabilities	<u>940</u>	<u>-</u>	<u>940</u>
 Total Liabilities	 <u>940</u>	 <u>-</u>	 <u>940</u>
 DEFERRED INFLOWS OF RESOURCES			
Delinquent Taxes	<u>6,126</u>	<u>(6,126)</u>	-
 Total Deferred Inflows of Resources	 <u>6,126</u>	 <u>(6,126)</u>	 <u>-</u>
 FUND BALANCE / NET POSITION			
Fund Balances			
Unspendable	1,000	(1,000)	-
Restricted	-	-	-
Unassigned	<u>335,980</u>	<u>(335,980)</u>	<u>-</u>
 Total Fund Balances	 <u>336,980</u>	 <u>(336,980)</u>	 <u>-</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balance	 <u>\$ 344,046</u>		
 Net Position			
Invested in Capital Assets-Net of Related Debt		81,375	81,375
Restricted		1,000	1,000
Unrestricted		<u>342,106</u>	<u>342,106</u>
 Total Net Position		 <u>\$ 424,481</u>	 <u>424,481</u>

The Notes to Financial Statements are an integral part of this statement.

HOPKINS DISTRICT LIBRARY
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

	<u>General Fund</u>	<u>Adjustments (See Notes)</u>	<u>Statement of Activities</u>
Revenues			
Property Taxes	\$ 111,089	(16,302)	\$ 94,787
State Aid	3,695	-	3,695
Penal Fines	28,656	-	28,656
Contributions and Donations	250	-	250
Library Fines, Fees, Rentals and Sales	2,091	-	2,091
Interest and Rentals	627	-	627
Other Revenue	2,383	-	2,383
Total Revenues	<u>148,791</u>	<u>(16,302)</u>	<u>132,489</u>
Expenditures			
Current:			
Recreation and Cultural			
Wages and Fringes	54,494	-	54,494
Supplies and Computer Expenses	1,548	-	1,548
Library Books and Other Materials	3,422	-	3,422
Coop Fees and Dues	13,607	-	13,607
Program Expenses	7,155	-	7,155
Repairs and Maintenance	3,078	-	3,078
Professional Fees	4,025	-	4,025
Education and Travel	743	-	743
Insurance	4,750	-	4,750
Miscellaneous	1,077	-	1,077
Utilities	4,837	-	4,837
Capital Outlay	7,641	(7,641)	-
Depreciation	-	8,146	8,146
Total Expenditures	<u>106,377</u>	<u>505</u>	<u>106,882</u>
Excess of Revenues Over (Under)			
Expenditures / Change in Net Position	<u>42,414</u>	<u>(16,807)</u>	<u>25,607</u>
Fund Balance/Net Position - Beginning of Year	<u>294,566</u>	<u>104,308</u>	<u>398,874</u>
Fund Balance/Net Position - End of Year	<u>\$ 336,980</u>	<u>\$ 87,501</u>	<u>\$ 424,481</u>

The Notes to Financial Statements are an integral part of this statement.

**HOPKINS DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Hopkins District Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Library:

REPORTING ENTITY

The Hopkins District Library, as an independent entity, came into being on January 1, 2012. The Library had previously existed as a component unit of the Village of Hopkins until the Village contributed the assets and liabilities of the Library to the control of the newly formed district library board. The Library is located in the Village of Hopkins, Michigan and is governed by an appointed eight-member board. The Library is primarily funded through a tax levy, state aid and grants, fines and fees, and charitable contributions. Revenue is used to operate and staff the Library. The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes and intergovernmental revenues.

The statement of net position includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. Hopkins District Library's net position is reported in three parts: invested in capital assets net of related debt, restricted net position and unrestricted net position.

The statement of activities demonstrates the degree to which the direct expenses have a given function or segment and are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Revenues are primarily derived from charges for services and interest and rentals to provide for the administration and operation of: (1) general Hopkins District Library governmental departments and (2) library operation.

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. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Hopkins District 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 liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**HOPKINS DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION
(Continued)

Hopkins District Library reports the following major governmental funds:

- The General Fund is Hopkins District Library's primary operating fund. It accounts for all financial resources of Hopkins District Library.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privilege provided; and (2) operating grants and contributions.

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

Bank Deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Taxes Receivable - The Library's property taxes are levied and become a lien on each December 1 based on the taxable valuation of property located in the Library's service area as of the preceding December 31st. These taxes are collected by the Townships and are due on February 28. After that date, they are added to the county delinquent tax rolls.

The 2019 State taxable valuation of the Library totaled \$169,801,595 on which ad valorem taxes levied consisted of .5686 mills for Library operating purposes, raising \$96,549. Of the \$96,549 raised from the tax levy for 2019, \$6,126 was collected after 60 days from the end of the fiscal year. The delinquent real property taxes of the Library are purchased by Allegan County. These taxes have been recorded as deferred inflows in the fund financial statements for the current year since they are not available to fund expenditures of the current period.

Restricted Assets - The Library maintains the Mason Parmalee Endowment fund and the \$1,000 principle portion cannot be expended. The Library cannot change the amounts restricted and cannot spend the restricted funds for anything other than restricted purposes.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$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 estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Furniture	7 years
Books	15 years
Building	30 years
Equipment	5 - 7 years

Deferred Inflows - Taxes collected for the Library by the Townships but not remitted before March 1 and delinquent taxes for 2019 amounted to \$6,126. Neither were received until after 60 days from the end of the year. These taxes are therefore classified as deferred inflows.

**HOPKINS DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

Fund Equity - In March 2009 the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications - nonspendable, restricted, committed, assigned, and unassigned.

In the fund financial statements, governmental funds report the following components of fund balance:

- Nonspendable: Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted: Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- Committed: Amounts that have been formally set aside by the board for use for specific purposes. Commitments are made and can be rescinded only via resolution of the board.
- Assigned: Amounts that are for specific purposes expressed by the board, or the director, who is authorized by resolution approved by the board to make assignments.
- Unassigned: All other amounts available for any purpose.

Restricted/Unrestricted Resources - When expenses are incurred for which both restricted and unrestricted resources are available, it is the Library's policy to first apply restricted resources. Once restricted resources are exhausted, the Library's policy is to apply unrestricted resources in the following order: committed, assigned, and unassigned.

ENCUMBRANCE ACCOUNTING

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by Hopkins District Library.

USE OF 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The Library Board prepares the annual budgets prior to December 31. A Public Hearing is conducted to obtain taxpayers' comments. The full board votes to ratify the proposed budget after the general public has had it chance to comment on the budget. The budget documents present information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the activity level and reported in the budgetary comparison schedule at the line-item level.

**HOPKINS DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019**

EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETED FUNDS

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended December 31, 2019, the Library incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

FUND	BUDGET APPROPRIATION	ACTUAL EXPENDITURE	BUDGET VARIANCE
General Fund			
Recreation and Cultural			
Program Expenses	\$ 6,911	\$ 7,155	\$ 244
Miscellaneous	\$ 956	\$ 1,077	\$ 121

DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91, authorizes Hopkins District Library to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Hopkins District Library has designated one bank for the deposit of Hopkins District Library funds.

Hopkins District Library's deposits and investments are in accordance with statutory authority.

At year-end, Hopkins District Library's deposits and investments were reported in the financial statements in the following categories:

	GOVERNMENTAL ACTIVITIES	TOTAL PRIMARY GOVERNMENT
Cash and Cash Equivalents	\$ 222,062	\$ 222,062
Investments	45,112	45,112
Restricted Assets	1,000	1,000
Total	<u>\$ 268,174</u>	<u>\$ 268,174</u>

The breakdown between deposits and investments are:

	TOTAL PRIMARY GOVERNMENT
Cash and Cash Equivalents	\$ 268,174
(Checking and Savings Accounts, Certificates of Deposit)	
Petty Cash and Cash on Hand	-
Total	<u>\$ 268,174</u>

**HOPKINS DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019**

DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk as Related to Cash Equivalents - Custodial credit risk is the risk that Hopkins District Library will not be able to recover its deposits in the event of financial institution failure. Hopkins District Library's deposits are exposed to the custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At December 31, 2019, Hopkins District Library has deposits with a carrying amount of \$268,174 and a bank balance of \$260,345. Of the bank balance, \$260,345 is covered by federal depository insurance and \$0 is uninsured and \$0 is collateralized. Hopkins District Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

CAPITAL ASSETS

Capital asset activity for the current year was as follows:

Reclassification – Bathroom updates that in the previous year were classified as a building asset have been move into the furniture and fixture classification of fixed assets.

	<u>BALANCE 12/31/2018</u>	<u>ADDITIONS</u>	<u>RETIRE- MENTS</u>	<u>BALANCE 12/31/2019</u>
Capital Assets not being Depreciated				
Land	\$ 10,800	\$ -	\$ -	\$ 10,800
Capital Assets being Depreciated				
Books	246,522	4,928	-	251,450
Building	161,410	730	-	162,140
Furniture and Fixtures	2,676	1,983	-	4,659
Machinery and Equipment	16,993	-	-	16,993
Subtotal	427,601	7,641	-	435,242
Less: Accumulated Depreciation	356,521	8,146	-	364,667
Capital Assets-Net of Depreciation	71,080	(505)	-	70,575
Total Capital Assets - Net of Depreciation	<u>\$ 81,880</u>	<u>\$ (505)</u>	<u>\$ -</u>	<u>\$ 81,375</u>

Depreciation expense was charged to programs as follows:

Governmental Activities:	
Recreation and Cultural	<u>\$ 8,146</u>
Total Governmental Activities	<u>\$ 8,146</u>

**HOPKINS DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019**

LEASE COMMITMENTS

The Library has entered into an operating lease for a copy machine during 2018. The lease is for 60 months at \$101 per month. At the end of the 60 months, the library has the option to purchase the copy machine for the assessed fair market value of the machine at that time or the contract is renewable every year thereafter.

The annual requirements under the lease commitment are as follows:

Year Ended December 31	
2020	\$ 1,212
2021	1,212
2022	1,212
2023	<u>444</u>
Total	<u>\$ 4,080</u>

RISK MANAGEMENT

Hopkins District Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. Hopkins District Library manages its risk exposure through commercial insurance. Settled claims did not exceed the amount of insurance coverage for the year ended December 31, 2019.

RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of Hopkins District Library's governmental fund differs from net position and changes in net position of the governmental activities reported in the statement of net position and statement of activities. This difference primarily results from the long-term focus of the statement of net position and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance.

The following is a reconciliation of fund balance to net position:

Total Fund Balance - Modified Accrual Basis		\$ 336,980
Amounts reported in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Governmental capital assets	\$ 446,042	
Less: Accumulated depreciation	<u>(364,667)</u>	81,375
Deferred inflows reported in governmental funds are recognized as revenues in the governmental activities		<u>6,126</u>
Net Position of General Fund - Full Accrual Basis		<u>\$ 424,481</u>

HOPKINS DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

The following is a reconciliation of the net change in fund balance to the net change in net position:

Net Change in Fund Balance - Modified Accrual Basis	\$ 42,414
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds	(16,302)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives	
Capital asset additions	\$ 7,641
Less: Current year depreciation	<u>(8,146)</u> (505)
Change in Net Position of General Fund - Full Accrual Basis	<u>\$ 25,607</u>

SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. Due to this, economic uncertainties have arisen that may negatively affect the Library. The Library expects this to negatively impact its operations and financial condition, however the extent of this impact cannot be reasonably estimated at this time.

ACCOUNTING PRONOUNCEMENTS

GASB issued Statement No. 84, *Fiduciary activities*. This standard seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This standard will be effective in 2020. The Library does not believe that this standard will have any impact on its financial statements.

GASB issued Statement No 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognize as inflows of resources or outflows of resources based on the payment provisions of the contract. This standard will be effective in 2022. The Library does not believe that this standard will have any impact on its financial statements.

GASB issued Statement No. 88, *Certain Disclosures Related to Debt Including Direct Borrowing and Direct Placements*. This standard seeks to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The standard will be in effect for 2020. The Library does not believe that this standard will have any impact on its financial statements.

GASB issued Statement No 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement established accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62. This statement requires that interest costs incurred before the end of a constructions period be recognized as an expense in the period which the cost is incurred. The standard will be in effect for 2021. The Library does not believe that this standard will have any impact on its financial statements.

HOPKINS DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

ACCOUNTING PRONOUNCEMENTS (Continued)

GASB issued Statement No 90, *Majority Equity Interest* – An Amendment of GASB no. 14 and No. 16. The objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The standard will be in effect for 2020. The Library does not believe that this standard will have any impact on its financial statements.

GASB issued Statement No 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extending by issuers, (2) arrangements associated with conduit debt obligations, and (3) related not disclosures. The standard will be in effect for 2022. The Library does not believe that this standard will have any impact on its financial statements.

GASB issued Statement No. 92, *Omnibus*. The objectives of this statement are to enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. This standard will be in effect for 2022. The Library does not believe that this standard will have any impact on its financial statements.

GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The standard will be in effect for 2021. The Library does not believe that this standard will have any impact on its financial statements.

GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The standard will be in effect for 2023. The Library does not believe that this standard will have any impact on its financial statements.

GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are schedule to become effective for periods beginning after June 15, 2018 and later. The Library not believe that this standard will have any impact on its financial statements.

GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The standard will be in effect for 2023. The Library does not believe that this standard will have any impact on its financial statements.

**HOPKINS DISTRICT LIBRARY
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2019**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning of Year Fund Balance	\$ 294,566	\$ 294,566	\$ 294,566	\$ -
Resources (Inflows)				
Property Taxes	88,000	88,000	\$ 111,089	23,089
State Aid	3,000	3,000	3,695	695
Penal Fines	28,000	28,000	28,656	656
Contributions and Donations	500	500	250	(250)
Library Fines, Fees, Rentals and Sales	1,800	1,800	2,091	291
Operating Grants	1,000	1,000	-	(1,000)
Interest and Rentals	150	150	627	477
Other Revenue	700	700	2,383	1,683
Total Resources	<u>123,150</u>	<u>123,150</u>	<u>148,791</u>	<u>25,641</u>
Charges to Appropriations (Outflows)				
Current:				
Recreation and Cultural				
Wages and Fringes	54,000	56,600	54,494	2,106
Supplies and Computer Expenses	1,500	1,600	1,548	52
Library Books and Other Materials	5,550	3,850	3,422	428
Coop Fees and Dues	14,350	14,544	13,607	937
Program Expenses	6,000	6,911	7,155	(244)
Repairs and Maintenance	6,700	3,467	3,078	389
Professional Fees	5,875	4,535	4,025	510
Education and Travel	1,000	800	743	57
Insurance	4,161	4,775	4,750	25
Miscellaneous	1,250	956	1,077	(121)
Utilities	7,239	6,300	4,837	1,463
Capital Outlay	7,200	9,733	7,641	2,092
Total Charges to Appropriations	<u>114,825</u>	<u>114,071</u>	<u>106,377</u>	<u>7,694</u>
Excess of Resources Over (Under) Appropriations	<u>8,325</u>	<u>9,079</u>	<u>42,414</u>	<u>33,335</u>
Budgetary Fund Balance - End of Year	<u>\$ 302,891</u>	<u>\$ 303,645</u>	<u>\$ 336,980</u>	<u>\$ 33,335</u>

The Notes to Financial Statements are an integral part of this statement.