

JACKSON DISTRICT LIBRARY

FINANCIAL STATEMENTS

DECEMBER 31, 2016

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QUALITY CENTER

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Jackson District Library
Jackson, Michigan

We have audited the accompanying financial statements of the governmental activities of the *Jackson District Library, Jackson, Michigan*, as of and for the year ended December 31, 2016, which collectively comprise the Library's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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 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.

Board of Trustees
Jackson District Library
Jackson, Michigan

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Jackson District Library of Jackson, Michigan, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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 7 and 28 through 31 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 – Additional Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jackson District Library of Jackson, Michigan's financial statements as a whole. The statement of activities-detail in the other information is presented for purposes of additional analysis and is not a required part of the financial statements. The statement of activities-detail is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Markowski & Company, CPAs

Jackson, Michigan
May 4, 2017

Management's Discussion and Analysis

Introduction

This discussion and analysis of the Jackson District Library's financial performance provides an overview of the Library's financial activities for the fiscal year ended December 31, 2016.

Financial Highlights

- The Library assets at the close of December 31, 2016, exceeded its liabilities by \$7,860,952 (net position). Of this amount, unrestricted net position of \$2,350,247 may be used to meet the Library's ongoing obligations.
- The total net position of the Library decreased by \$197,173 during the year.
- At the close of the current fiscal year, the Library's governmental fund reported a combined ending fund balance of \$3,654,682, an increase of \$322,799. Approximately 97%, or \$3,559,920 of the fund balance is available for spending at the Library's discretion. Of this amount, 14%, or \$500,000, has been assigned by the Library's board for technology and other board plans.

Overview of Financial Statements

This audit report consists of the independent auditor's report, management discussion and analysis, basic financial statements, required supplementary information and additional information.

The basic financial statements comprise government-wide financial statements and fund financial statements focusing on the Library in more detail. The financial statements also contain notes to explain some of the information in the statements and provide more detailed data.

Government-Wide Financial Statements

The government-wide statements provide information to readers with a broad overview of the Library's finances, similar to the private business sector. The statement of net position includes information on all of the Library's assets and liabilities, with differences between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the Library's financial position 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 the change occurs, regardless of the timing of related 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 such as earned but unused vacation and sick leave.

Management's Discussion and Analysis

Government-Wide Financial Statements (Continued)

In a condensed format, the following shows the net position and changes to net position as of December 31, 2016 and 2015:

	Governmental Activities	
	2016	2015
Assets	\$ 14,750,656	\$ 14,789,958
Deferred Outflows of Resources	542,780	465,562
Liabilities	1,973,275	3,766,478
Deferred Inflows of Resources	5,459,209	5,406,000
Net Position		
Invested in Capital Assets, net	5,423,227	5,706,422
Restricted	87,478	115,800
Unrestricted	2,350,247	260,820
Total Net Position	\$ 7,860,952	\$ 6,083,042
Revenues		
Property taxes	\$ 5,404,011	\$ 5,288,527
State shared revenues	104,789	94,360
Charges for services	248,071	258,956
Penal fines	771,983	999,065
Investment income	26,090	19,224
Contributions and grants	69,785	82,412
USF phone refunds	21,165	20,196
Other refunds	11,976	4,622
Total revenues	\$ 6,657,870	\$ 6,767,362
Expenditures		
Culture and recreation	6,855,043	7,640,793
Change in Net Position	\$ (197,173)	\$ (873,431)

Management's Discussion and Analysis

Fund Financial Statements

The fund financial statements provide more detailed information that is used to help maintain control over the Library's resources. Like other state and local governments, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Financial Analysis

As noted earlier, net position may serve as a useful indicator of the Library's financial position. As viewed in the Statement of Net Position, assets exceeded liabilities and deferred inflows of assets by \$7,860,952 and total net position decreased by \$197,173 during the year. The decrease was primarily a result of other post-retirement healthcare expenditure of \$102,932.

Capital Asset and Long-Term Debt Activity

The Library's investment in capital assets as of December 31, 2016, amounted to \$5,423,227 (net of accumulated depreciation). This investment in capital assets includes property, equipment and books and related materials.

Major capital asset events during the fiscal year included the following:

- \$27,788 was invested in improvements to Library branch buildings.
- \$723,174 was invested in books and related Library materials.
- \$10,800 was invested in finance software.

Funding Issues

The Library collected \$5,404,011 in property taxes in 2016; this reflected an increase of \$115,484 over 2015. This is due to a slight increase in property values and partial renewal of renaissance zone reimbursements from the state of Michigan. We are hopeful that stabilized and increasing property values holds true for the future. However, we remain concerned that foreclosures continue to directly affect the Library when the taxes are uncollectable after public auction; the County charges back the taxes for those properties if the proceeds do not cover the amount due for the foreclosed parcels. Low interest rates continue to impact our investment income.

Due to continued advocacy by the Michigan Library Association, state aid for public libraries has been stable in the past two years. Penal fine revenue collections decreased in 2016 from 2015 highlighting the uncertainty of penal fines collected annually. We remain concerned that there may be continued attempts by state legislators to divert penal fine revenues to provide solutions to state funding issues.

Management's Discussion and Analysis

Funding Issues (Continued)

The Library addressed the issue of retiree health insurance liability in response to the new guidelines as set forth by the Government Accounting Standards Board (GASB) in 2016. This year the Board worked with the unions to implement a change for those retirees and covered dependents who are over 65 that significantly addressed our unfunded liability.

Employees hired on or after July 1, 2007 are not eligible for retiree health care. Only full-time employees hired before July 1, 2007, retiring at age sixty or older with twelve or more continuous years of service with JDL are eligible for retiree health care. Prior to Medicare eligibility (currently age sixty-five), the retired employee is eligible to maintain coverage under JDL's existing medical benefit plan for employees. JDL will contribute toward the cost of the retired employee's health care coverage an equal amount to that which it makes on behalf of active employees.

The retired employee's spouse who is not yet Medicare eligible will be covered only if the employee provides signed verification that his/her spouse has no other medical coverage as an option. For purposes of this provision, Medicare is considered a medical coverage option for a retired employee's spouse.

Medicare eligible retirees (currently age sixty-five), are not eligible to maintain coverage under JDL's existing medical benefit plan for employees and must enroll in Medicare. JDL will provide retired Medicare eligible employees, who qualify for retiree health care, with a bi-annual stipend to be deposited into an account established for the retiree through the MERS Health Care Savings Program, on or about July 15th and January 15th of each year.

As more of our employees near retirement age, the Municipal Employees' Retirement System (our pension provider), will require the Library to increase its annual contribution in order to maintain benefits for current and future retirees. Based on our 2015 MERS Annual Valuation our pension plan is 90% funded, having fallen from the previous year due to changes in actuarial assumptions. In contrast with the GASB reporting standard that is applied to this year's financial picture, the funding level is listed at 84% funded in this report. The Library will continue to explore options to build the funding level in the future. Beginning in 2010, new full-time employees are now enrolled in a hybrid plan through MERS in order to minimize pension expenses.

2016 Highlights

The Library completed another landmark year in 2016 when Jackson County residents checked out more items in print and digital formats than they had at any point in its history! The library continues to draw large audiences to its programs and events for all age groups. Attendance at these events grew by nearly 18% in 2016 over the previous year, touching an all-time high of 76,818. Usage of the library's public computers and wireless connection continues to remain high. Digital downloads (e-books, audiobooks, music, etc.) now account for nearly 19% of all checkouts. At the same time, nearly 81% of all items checked out by Jackson County residents continue to come from traditional physical formats such as printed books, CDs, DVDs and magazines. It is evident that Jackson County residents enjoy visiting their neighborhood libraries, while also appreciating the convenience of downloading books, movies and music from our website 24/7/365.

Management Discussion and Analysis

2016 Highlights (Continued)

The year 2016 began with the departure of long time Library Director Ishwar Laxminarayan. The Library board chose Sara Tackett, former JDL Youth Services Coordinator and Public Services Administrator as the new Director. The Library has continued the efforts to engage with the community. The Library staff planned a wide range of programming for all ages including, the Greenwood Cemetery tour highlighting Jackson history, Story Walks to engage our early readers, Movies in the Park, Community Forums on a variety of important topics in our community, Summer Reading for all ages, a Community Art Contest, and much more. The library staff developed a message and engaged with the community to share how the library continues to transform to meet their needs that led to a successful millage renewal and increase with the support of a community led campaign committee.

The Library brought a variety of authors to the community including Walter Mosley during the first Concatenation Convention -a collaboration with Jackson College that brought together the world of science fiction and fact in a fun event. A special event held in December-An Enchanted Evening at Carnegie-highlighted the beautiful 110-year-old Carnegie Library in downtown Jackson, the art collection of JDL and selected local artists from the Arts and Cultural Alliance of Jackson County.

Our Friends of the Library continue their support through book and bake sales; raising funds to support programs, services and facilities of all thirteen Library branches as well as helping at programs.

Budget Priorities for 2017

The library continues to collaborate with the American Library Association's Libraries Transform Campaign to highlight our role in the community as a transformational partner. We are seeking new and expanded ways to engage with promoting lifelong learning, literacy, and supporting workforce and economic development.

As the new funds for the millage do not begin until 2018, we will use 2017 to begin planning for any service and facility updates that would best serve the Jackson community. In the middle of 2017, we will be launching a new collection of circulating internet hotspots to assist those in the community that do not have internet access.

Requests for Information

This financial report is designed to provide a general overview of the revenues it receives for all those with an interest in the Library's finances. Questions concerning any of the information provided in this report should be addressed to the Director at 244 West Michigan Avenue, Jackson, Michigan 49201, phone 517-788-4099.

FINANCIAL STATEMENTS

JACKSON DISTRICT LIBRARY
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS:	
Cash and cash equivalents	\$ 3,878,721
Investments	17,644
Accounts receivable:	
Penal fines	64,064
Property taxes receivable	5,367,000
Capital assets, net	<u>5,423,227</u>
Total assets	<u>14,750,656</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension amounts	<u>542,780</u>
 LIABILITIES:	
Accounts payable	142,126
Accrued liabilities	31,214
Accrued payroll	51,935
Unearned revenue:	
Grants	1,246
Shared computerization agreement	79,226
Total current liabilities	<u>305,747</u>
Noncurrent liabilities:	
Compensated absences	356,857
Net pension liability	1,207,739
Net other post employment benefit payable	102,932
Total long-term liabilities	<u>1,667,528</u>
 DEFERRED INFLOWS OF RESOURCES:	
Deferred pension amounts	92,209
Property taxes	<u>5,367,000</u>
Total deferred inflows of resources	<u>5,459,209</u>
Total liabilities and deferred inflows of resources	<u>7,432,484</u>
 NET POSITION:	
Invested in capital assets, net of related debt	5,423,227
Restricted	87,478
Unrestricted	<u>2,350,247</u>
Total net position	<u><u>\$ 7,860,952</u></u>

See accompanying notes.

JACKSON DISTRICT LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

FUNCTION/PROGRAMS	PROGRAM REVENUES			GOVERNMENTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	ACTIVITIES NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
General government	\$ 6,855,043	\$ 248,071	\$ 69,785	\$ -
GENERAL REVENUES:				
Property taxes				5,404,011
State shared revenues				104,789
Penal fines				771,983
Investment income				26,090
USF phone refunds				21,165
Other revenues				11,976
Total general revenues				<u>6,340,014</u>
Change in net position				(197,173)
Net position - beginning of year, as restated				<u>8,058,125</u>
Net position - end of year				<u>\$ 7,860,952</u>

See accompanying notes.

JACKSON DISTRICT LIBRARY
GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2016

	<u>GOVERNMENTAL FUND</u>
ASSETS:	
Cash and cash equivalents	\$ 3,878,721
Investments	17,644
Accounts receivable:	
Penal fines	64,064
Property taxes receivable	<u>5,367,000</u>
 Total assets	 <u><u>\$ 9,327,429</u></u>
 LIABILITIES:	
Accounts payable	\$ 142,126
Accrued liabilities	31,214
Accrued payroll	51,935
Unearned revenue:	
Grants	1,246
Shared computerization agreement	79,226
Total liabilities	<u>305,747</u>
 DEFERRED INFLOWS OF RESOURCES:	
Property taxes	<u>5,367,000</u>
 FUND BALANCES:	
Restricted	94,762
Assigned	500,000
Unassigned	3,059,920
Total fund balance	<u>3,654,682</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u><u>\$ 9,327,429</u></u>

See accompanying notes.

JACKSON DISTRICT LIBRARY
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2016

TOTAL FUND BALANCE - GOVERNMENTAL FUND \$ 3,654,682

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
fund balance sheet. Net of accumulated depreciation. 5,423,227

Compensated absences are long-term liabilities are not due and
payable in the current period and therefore are not reported in
governmental funds. (356,857)

Long-term liabilities for Other Post Employment Benefits
(OPEB) obligations do not present a claim on current
financial resources and are therefore not reported as
fund liabilities. (102,932)

Certain pension amounts, such as the net pension liability and
deferred amounts are not due and payable in the current period
and therefore are not reported as fund liabilities. (757,168)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 7,860,952

See accompanying notes.

JACKSON DISTRICT LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>GOVERNMENTAL FUND</u>
REVENUES	
Property taxes	\$ 5,404,011
State shared revenues	104,789
Coop reimbursement	31,143
Fines and fees	108,232
Copier fees	45,276
Penal fines	771,983
Investment income	26,090
Contributions and grants	69,785
USF phone refunds	21,165
Shared services - JPS	63,420
Other revenues	11,976
Total revenues	<u>6,657,870</u>
 EXPENDITURES	
Culture and recreation	<u>6,335,071</u>
 EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	 322,799
 FUND BALANCES, BEGINNING OF YEAR	 <u>3,331,883</u>
 FUND BALANCES, END OF YEAR	 <u><u>\$ 3,654,682</u></u>

See accompanying notes.

JACKSON DISTRICT LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENT FUND	\$ 322,799
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p style="padding-left: 40px;">Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation:</p>	
Capital outlays	761,762
Depreciation expense	(1,044,957)
<p style="padding-left: 40px;">Decrease in non-current liability for compensated absences payable is an expense in the statement of activities but is not an expenditure in the governmental funds.</p>	
	41,626
<p style="padding-left: 40px;">Change in net OPEB obligations are reported in the statement of activities as these future benefits are earned; because they do not require the use of current resources they are not reported in the fund financial statements.</p>	
	(102,932)
<p style="padding-left: 40px;">Changes in Net Pension Liability and related deferred amounts do not require the use of current resources and are not reported in the fund financial statements.</p>	
	<u>(175,471)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (197,173)</u></u>

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

**JACKSON DISTRICT LIBRARY
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**JACKSON DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Jackson 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 Jackson District Library:

A. REPORTING ENTITY

The Jackson District Library (the “Library”) was formed January 1, 1978, from a consolidation of the City of Jackson and County of Jackson Library systems. The Library is governed by an appointed board of trustees with seven members.

B. GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net position and statement of activities) report information on all of the nonfiduciary activities of the Library.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to users or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

C. 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, the government 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, expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

**JACKSON DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Library reports the following major governmental fund:

General Fund

The General Fund is the general operating fund of the Library. It is used to account for all financial resources.

D: ASSETS, LIABILITIES, AND NET POSITION

Bank Deposits and Investments

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. Investments are stated at fair value.

Receivables and Payables

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Restricted assets consist of cash and investments that have been restricted by the donor at the date of the gift.

A joint venture exists between the Jackson District Library and Jackson College to operate and maintain an automated library system to be shared between the two parties. Cash received from Jackson College is restricted for the maintenance and operation of the system.

Capital Assets

Capital assets, which include books and related materials, property and equipment are defined by the Library as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. (Computers or property and equipment purchased in groups are combined for the purpose of the capital threshold amount.)

**JACKSON DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D: ASSETS, LIABILITIES, AND NET POSITION (Continued)

Pensions

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the Statement of Net Position.

Long-term Obligations

Long-term obligations (due more than one year from the balance sheet date) are reported as liabilities in the Statement of Net Position.

Deferred Outflows/Inflows of Resources

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

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Fund Equity

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Library Board. A formal resolution of the Board is required to establish, modify, or rescind a fund balance commitment. The Library reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund.

**JACKSON DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

E: ESTIMATES

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the governmental fund. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is at the line item.

Encumbrance accounting is employed in the government fund. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year ended December 31, 2016, the Library incurred the following expenditure in the General Fund which were in excess of the amounts appropriated:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Periodicals	\$ 30,685	\$ 30,840	\$ (155)

NOTE 3: CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents, and investments of the Library can be defined as follows:

Cash and cash equivalents consist of cash on hand, deposits (checking accounts), and investments with an original maturity no greater than 90 days. Deposits are in one local bank with accounts in its name. Surplus funds are invested in accordance with state law and Board resolutions. Authorized investments include:

- (1) Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States;
- (2) Certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States;
- (3) Commercial paper rated at the time of purchase within the highest classification established by not less than two standard rating services, and that matures not more than 270 days from the purchased date;
- (4) Repurchase agreements consisting of instruments listed in subdivision (1) above;
- (5) Bankers' acceptances of United States banks;

**JACKSON DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 3: CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

- (6) Mutual funds registered under the Investment Company Act of 1940, and with authority to purchase only investment vehicles that are legal for direct investment by a public corporation;
- (7) Obligations described in (1) through (6) as named above are purchased through an interlocal agreement under the Urban Cooperation Act of 1967;
- (8) Investment pools organized under the Surplus Funds Investment Act 367 of 1982;
- (9) Investment pools organized under the Local Government Investment Pool Act 121 of 1985.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the Library's cash deposits are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>
Imprest cash	\$ 562
Insured (FDIC)	1,767,602
Uninsured	<u>2,110,557</u>
 Total cash and cash equivalents	 <u><u>\$ 3,878,721</u></u>

The Library's deposits are in accordance with statutory authority.

The Library's investments are categorized below to give an indication of the level of risk assumed by the Library. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Library or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Library's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Library's name.

<u>Investment Type</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total</u>	<u>Cost</u>
Corporate equities	<u>\$ -</u>	<u>\$ 17,644</u>	<u>\$ -</u>	<u>\$ 17,644</u>	<u>\$ 11,945</u>

The corporate equities represent mutual funds donated directly to the Jackson District Library.

Investment and Deposit Risk

Interest Rate Risk: State law limits the allowable investments and the maturities of some of the investments. The Library's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**JACKSON DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 3: CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Credit Risk: State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, banker's acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned. State law does not require, and the Library does not have, a policy for custodial credit risk.

Concentration of Credit Risk: State law permits allowable investments, but does not limit concentration of credit risk.

NOTE 4: PROPERTY TAXES

Property tax revenues shown in the General Fund reflect the 2015 District levy of 1.2593 mills on the assessed valuation of property located in the county as of the preceding December 31st. Assessed values are established annually by the county and are equalized by the state at an estimated 50% of current market value.

The 2015 levy covers the Library's fiscal year of January 1, 2016 to December 31, 2016. The 2015 tax levy became a lien on properties on December 1, 2015, and was substantially collected in early 2016. Taxes became delinquent on March 1, 2016. Taxes receivable the subsequent year, as presented in the Library's financial statements, represent the next accounting period's uncollected taxes. Unearned taxes represent the subsequent years' taxes, both collected and uncollected, that are unearned. These amounts are reported as such because the tax bills were issued December 1, 2016, for the 2017 fiscal year revenue.

NOTE 5: CAPITAL ASSETS

Capital assets, which include property, equipment and books and related materials, are depreciated using the straight-line method over the following useful lives:

Books (including E-Books)	2 to 10 years
Audio Visual	3 years
Circulating Software	3 years
Computer Equipment	5 to 7 years
Equipment	5 to 10 years
Buildings	40 years
Building Improvements	15 to 30 years

**JACKSON DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5: CAPITAL ASSETS (Continued)

Capital asset activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets Being Depreciated:				
Land	\$ 275,900	\$ -	\$ -	\$ 275,900
Buildings	2,788,335	-	-	2,788,335
Building Improvements	877,095	27,788	-	904,883
Books	2,059,889	299,520	392,583	1,966,826
E-Books	454,669	103,343	-	558,012
Audio Visual	1,218,266	275,375	200,829	1,292,812
Circulating Software	187,778	44,936	14,876	217,838
Computer Equipment	385,505	10,800	-	396,305
Equipment	526,349	-	-	526,349
Subtotal	<u>8,773,786</u>	<u>761,762</u>	<u>608,288</u>	<u>8,927,260</u>
Less Accumulated Depreciation for:				
Land	-	-	-	-
Buildings	218,947	68,485	-	287,432
Building Improvements	192,096	45,904	-	238,000
Books	1,231,340	326,127	392,583	1,164,884
E-Books (Amortization)	197,419	101,267	-	298,686
Audio Visual	740,011	317,459	200,829	856,641
Circulating Software	107,035	53,843	14,876	146,002
Computer Equipment	199,657	72,841	-	272,498
Equipment	180,859	59,031	-	239,890
Subtotal	<u>3,067,364</u>	<u>1,044,957</u>	<u>608,288</u>	<u>3,504,033</u>
Net Capital Assets Being Depreciated	<u><u>\$ 5,706,422</u></u>	<u><u>\$ (283,195)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,423,227</u></u>

Under GASB 34 the Library was not required to retroactively report fixed assets. Accordingly, the Library chose not to retroactively report fixed assets prior to the year ending December 31, 2003.

NOTE 6: COMPENSATED ABSENCES

Full-time District employees earn vacation and sick leave in accordance with the Library's personnel policies. After one year, all employees are entitled to vacation earned based on length of service, and a maximum of one week may be carried over to the following year. All employees earn sick leave at varying rates.

Upon termination, 50% of accumulated sick leave benefits up to a maximum of 90 work days will be paid by the Library after 5 years of service.

Unpaid leave at December 31, 2016, which is not liquidated within the current operating cycle, has been reported in the governmental activities.

**JACKSON DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7: DEFINED BENEFIT PENSION PLAN

Plan Description

The Library's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided:

<u>01-General: Closed to new hires, linked to Division HA</u>	
	<u>2015 Valuation</u>
Benefit Multiplier	2.00% Multiplier(no max)
Normal Retirement Age	60
Vesting	6 years
Early Retirement (Unreduced)	-
Early Retirement (Reduced)	50/25 55/15
Final Average Compensation	5 years
COLA for Future Retirees	2.50% (non-compound)
Employee Contributions	4%
Act 88	Yes (adopted 4/8/1999)
<u>HA - General hired after 7/1/2010: Open Division, lined to Division 01</u>	
	<u>2015 Valuation</u>
Benefit Multiplier	Hybrid Plan - 1.00% Multiplier
Normal Retirement Age	60
Vesting	6 years
Early Retirement (Unreduced)	-
Early Retirement (Reduced)	-
Final Average Compensation	3 years
Employee Contributions	0%
Act 88	Yes (adopted 7/1/2010)

**JACKSON DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

Employees covered by benefit terms. At the December 31, 2015 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	31
Inactive employees entitled to but not yet receiving benefits	6
Active employees	<u>34</u>
	<u>71</u>

Contributions

The Library is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions for the year ended December 31, 2016 were \$136,064.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions

The total pension liability in the December 31, 2015 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3%-4%

Salary Increases: 4.5% in the long-term (1%, 2% and 3% for calendar years 2014, 2015 and 2016, respectively)

Investment rate of return: 7.75%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2015.

**JACKSON DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.50%	5.02%
Global Fixed Income	18.50%	2.18%
Real Assets	13.50%	4.23%
Diversifying Strategies	12.50%	6.56%

Discount rate

The discount rate used to measure the total pension liability is 8.0%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 12/31/15	\$ 6,994,750	\$ 5,947,490	\$ 1,047,260
Changes for the Year			
Service Cost	149,044	-	149,044
Interest on Total Pension Liability	569,594	-	569,594
Changes in benefits	-	-	-
Difference between expected and actual experience	(122,945)	-	(122,945)
Changes in assumptions	461,040	-	461,040
Employer Contributions	-	136,064	(136,064)
Employee Contributions	-	46,145	(46,145)
Net investment income	-	674,229	(674,229)
Benefit payments, including employee refunds	(330,200)	(330,200)	-
Administrative expense (negative number)	-	(13,309)	13,309
Other changes	(53,125)	-	(53,125)
Net changes	673,408	512,929	160,479
Balances as of 12/31/16	\$ 7,668,158	\$ 6,460,419	\$ 1,207,739

**JACKSON DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

Sensitivity of the Net Pension Liability to changes in the discount rate

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.0% as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.0%) or 1% higher (9.0%) than the current rate.

	1% Decrease 7.00%	Current Discount Rate (8.0%)	1% Increase 9.00%
<u>Net Pension Liability at 12/31/15</u>		\$ 1,207,739	
Change in Net Pension Liability (NPL)	\$ 816,926		\$ (699,905)
Calculated NPL for your Notes	\$ 2,024,665	\$ 1,207,739	\$ 507,834

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes it is net of administrative expenses.

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

For the year ended December 31, 2015 the employer recognized pension expense of \$311,534. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$ 92,209
Differences in assumptions	345,780	-
Excess (Deficit) Investment Returns	197,000	-
Contributions subsequent to the measurement date	-	-
Total	\$ 542,780	\$ 92,209

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending December 31, 2016.

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

Year Ended	
2017	(162,871)
2018	(162,871)
2019	(162,871)
2020	38,042

**JACKSON DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 8: JOINT VENTURE

The Library entered into a joint venture with Jackson College on September 25, 1991, to acquire, install, operate, and maintain an automated library system to be shared between the parties. The initial system cost, future additions, upgrades and maintenance are shared by Jackson District Library and Jackson College at a 2/3 - 1/3 ratio, respectively. The total balance in the investment account is \$219,323, which is offset by a liability for Jackson College's portion of the \$79,226 at December 31, 2016.

NOTE 9: RESERVED FUND BALANCE/RESTRICTED NET POSITION

The amounts reported in the Statement of Net Position identified as restricted net position are comprised of the following:

Restricted for shared computerization agreement	\$ 79,226
Restricted for grant agreement	1,252
Restricted for donor imposed restrictions	7,000
Total Restricted Net Position	\$ 87,478

The amounts reported in the Governmental Funds Balance Sheet as restricted and assigned fund balance are comprised of the following:

Restricted for:	
Donor imposed	\$ 7,000
Grantor imposed	1,252
Shared computerization agreement	79,226
Encumbrances	7,284
Total restricted	\$ 94,762
Assigned for:	
Technology	\$ 500,000

NOTE 10: RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance to manage these risks.

**JACKSON DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 11: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The Jackson District Library provides health insurance benefits for its retired employees and their beneficiaries through a trust established with the Municipal Employees' Retirement System of Michigan (MERS). The Library has no obligation to make contributions in advance of when the insurance premiums are due (in other words, this obligation can be financed on a "pay-as-you-go" basis). The Library has, however, made contributions to MERS (established pursuant to Public Act 199 of 1999) in an effort to advance fund these benefits.

For the year ended December 31, 2016, the Library has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2016. The valuation computes an annual required contribution (ARC), which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortized any unfunded actuarial liabilities over a period not to exceed thirty years. The valuation's computed contribution and the actual 2016 funding are summarized in the following:

Annual required contribution (recommended)	\$	102,932
Amount contributed:		
Funding		-
Increase in net OPEB obligation		102,932
Prior unfunded liability (Restated)		-
Unfunded liability at December 31, 2016	\$	102,932

The funding progress of the Plan as of the most recent valuation date is as follows:

Valuation as of December 31, 2016:	
Present value of future benefits	\$ 2,061,173
Actuarial value of assets	\$ 405,594
Actuarial accrued liability	\$ 1,929,414
Unfunded actuarial accrued liability	\$ 1,523,820

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funding status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections for benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**JACKSON DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 11: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(Continued)

In the December 31, 2016 actuarial valuation, the actuarial assumptions include the following:

Discount rate used for liability determination	5.50%
Long-Term expected rate of return on General Funds	4.00%
Long-Term expected rate of return on MERS RHFV	7.00%

Eligibility Requirements:

Age 60 with 12 or more years of continuous service.

Pre-65 Fully-insured

Post-65 N/A

Pre-65 retirees pay 20% of the fully-insured premiums.

Post-65 benefits were eliminated and a stipend is provided.

NOTE 12: SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 4, 2017, the date on which the financial statements were available to be issued.

NOTE 13: RESTATEMENTS

The Library adopted significant changes to other post-employment benefits for retirees in 2016. The net other post-employment benefit payable was restated to reflect the new actuarial valuation report dated December 31, 2016. Net Position was restated by \$1,975,083 to reflect this change.

REQUIRED SUPPLEMENTARY INFORMATION

JACKSON DISTRICT LIBRARY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
Revenue				
Property taxes	\$ 5,450,000	\$ 5,450,000	\$ 5,404,011	\$ (45,989)
State shared revenues	104,094	104,789	104,789	-
Coop Reimbursement	31,241	31,241	31,143	(98)
Fines and fees	110,000	110,000	108,232	(1,768)
Copier fees	40,000	50,000	45,276	(4,724)
Penal fines	750,000	772,000	771,983	(17)
Investment income	20,000	24,000	26,090	2,090
Contributions and grants	39,500	73,516	69,785	(3,731)
USF Phone refunds	15,000	24,338	21,165	(3,173)
Shared services - JPS	36,000	63,420	63,420	-
Other revenues	10,200	9,450	11,976	2,526
Total Revenues	6,606,035	6,712,754	6,657,870	(54,884)
Expenditures				
Salaries and wages	3,250,839	3,275,000	3,269,441	5,559
Board per diem	3,000	3,400	3,060	340
Social security	248,689	250,538	242,127	8,411
Retirement	145,000	180,000	149,456	30,544
Health insurance	382,500	382,500	318,822	63,678
Retiree health care	123,510	123,510	83,567	39,943
Life insurance	7,500	7,500	6,393	1,107
Unemployment	6,000	6,000	5,433	567
Director's conferences	4,000	2,500	2,302	198
Postage	25,000	25,000	22,349	2,651
Office supplies	23,000	20,000	17,227	2,773
Printing/promotions/publicity	100,000	100,000	97,708	2,292
Technical processing supplies	17,000	10,000	7,594	2,406
Contracted services:				
Professional	80,000	80,000	69,482	10,518
Office equipment	32,000	32,000	21,331	10,669
Building/grounds	160,000	160,000	156,196	3,804
Software/upgrades	49,200	49,200	38,140	11,060
Circulation	57,000	57,000	56,028	972
Other	33,000	33,000	24,743	8,257
Online computer library catalog	35,000	35,000	27,763	7,237
Shared computerization maintenance	65,000	65,000	60,936	4,064
Building and maintenance supply	32,500	35,500	33,751	1,749
Gifts and memorial materials	15,000	40,000	33,642	6,358
Staff development	20,000	25,000	24,430	570
Indirect State aid	52,047	52,395	52,395	-
Professional memberships and dues	8,000	8,000	6,925	1,075
Subtotal	4,974,785	5,058,043	4,831,241	226,802

JACKSON DISTRICT LIBRARY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>
Expenditures (Continued)				
Interloan	2,000	2,000	1,041	959
Telephone	50,000	48,000	46,620	1,380
Internet access lines	30,000	10,000	8,021	1,979
Transportation-Fuel	8,000	8,000	5,999	2,001
Mileage reimbursement	20,000	18,000	13,219	4,781
Library programs:				
Adult programs	20,000	25,000	20,714	4,286
Children's programs	95,000	94,000	79,887	14,113
Bindery	1,000	1,000	627	373
Insurance and bonds	48,000	48,000	42,499	5,501
Utilities	135,000	135,000	127,153	7,847
Vehicle repairs and maintenance	4,000	4,000	3,845	155
Miscellaneous	5,000	2,000	1,406	594
Word wise	7,500	5,000	4,639	361
Staff recognition	5,000	5,000	2,931	2,069
Property tax refunds	15,000	15,000	14,127	873
Grant Projects	10,000	10,000	7,247	2,753
Books:				
Hardbound/Trade	346,598	337,207	299,520	37,687
Paperback	9,595	9,595	5,910	3,685
Reference	2,755	2,755	2,622	133
Periodicals	30,685	30,685	30,840	(155)
Audio-visual	300,580	300,580	275,375	25,205
Online databases	247,237	280,000	275,549	4,451
Electronic software	47,500	47,500	44,936	2,564
Building repairs and maintenance	77,000	82,000	81,556	444
Computer supplies	50,000	55,000	50,105	4,895
Branch furniture and fixtures	20,000	20,000	18,855	1,145
Strategic Initiatives	5,000	-	-	-
Capital outlay:				
Computers/Software	10,800	10,800	10,800	-
Buildings	28,000	28,000	27,787	213
Total Expenditures	6,606,035	6,692,165	6,335,071	357,094
Net Change in Fund Balances	-	20,589	322,799	302,210
Fund Balance, beginning of year	3,331,883	3,331,883	3,331,883	-
Fund Balance, end of year	<u>\$ 3,331,883</u>	<u>\$ 3,352,472</u>	<u>\$ 3,654,682</u>	<u>\$ 302,210</u>

Jackson District Library

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios
Last 10 Fiscal Years

	2015	2016
Total Pension Liability		
Service Cost	\$ 175,359	\$ 149,044
Interest	522,380	569,594
Changes of Benefit Terms	-	-
Difference between expected and actual experience	-	(122,945)
Changes of assumptions	-	461,040
Benefit payments including employee refunds	(303,144)	(330,200)
Other	6,514	(53,125)
Net Change in Total Pension Liability	401,109	673,408
Total Pension Liability beginning	6,593,641	6,994,750
Total Pension Liability ending	\$6,994,750	\$ 7,668,158
 Plan Fiduciary Net Position		
Contributions-employer	\$ 110,088	\$ 136,064
Contributions-employee	55,936	46,145
Net Investment income	(92,710)	674,229
Benefit payments including employee refunds	(303,144)	(330,200)
Administrative expense	(13,534)	(13,309)
Net Change in Plan Fiduciary Net Position	(243,364)	512,929
Plan Fiduciary Net Position beginning	6,190,855	5,947,490
Plan Fiduciary Net Position ending	\$5,947,491	\$ 6,460,419
 Employer Net Pension Liability	\$1,047,259	\$ 1,207,739
 Plan Fiduciary Net Position as a percentage of the Total Pension Liability	85%	84%
 Covered Employee Payroll (from GASB 68 actuarial page)	\$1,789,781	\$ 1,582,579
Employer's Net Pension Liability as a percentage of covered employee payroll	59%	76%

This schedule is presented to illustrate the requirement to show information for 10 years, However, until a full 10 year trend is compiled, reporting is presented for those years which the information is available.

Jackson District Library
Schedule of Employer's Contributions
Last 10 Fiscal Years

	2015	2016
Actuarial Determined Contributions	\$ 110,088	\$ 136,064
Contributions in relation to the actuarially determined contribution	110,088	136,064
Contribution deficiency (excess)	\$ -	\$ -
 Covered Employee Payroll	 1,789,781	 1,582,579
 Contributions as a percentage of covered employee payroll	 6%	 9%

Notes to Schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	5 year smoothed
Inflation	3.5%
Salary Increases	4.5%
Investment rate of return	7.75%
Retirement age	Varies depending on plan adoption
Mortality	50% Female/50% Male 1994 Group Annuity Mortality Table

This schedule is presented to illustrate the requirement to show information for 10 years, However, until a full 10 year trend is compiled, reporting is presented for those years which the information is available.

ADDITIONAL INFORMATION

JACKSON DISTRICT LIBRARY
STATEMENT OF ACTIVITIES - DETAIL
FOR THE YEAR ENDED DECEMBER 31, 2016

EXPENSES:

Salaries and wages	\$	3,227,815
Board per diem		3,060
Social security		242,127
Retirement		324,926
Health insurance		318,822
Retiree health care contribution		186,499
Life insurance		6,393
Unemployment		5,433
Director's conferences		2,302
Postage		22,349
Office supplies		17,227
Printing/promotions/publicity		97,708
Technical processing supplies		7,594
Contracted services:		
Professional		69,482
Office equipment		21,331
Building/grounds		156,196
Software/upgrades		38,140
Circulation		56,028
Other		24,743
Online computer library catalog		27,763
Shared computerization agreement		60,936
Building and maintenance supply		33,751
Gifts and memorial materials		33,642
Staff development		24,430
Professional memberships and dues		6,925
Indirect State aid		52,395
Interloan		1,041
Telephone		46,620
Internet access lines		8,021
Transportation-Fuel		5,999
Mileage reimbursement		13,219
Library programs:		
Adult		20,714
Children's		79,887
Bindery		627
Insurance and bonds		42,499
Utilities		127,153
Vehicle repairs and maintenance		3,845
Subtotal		5,417,642

JACKSON DISTRICT LIBRARY
STATEMENT OF ACTIVITIES - DETAIL
FOR THE YEAR ENDED DECEMBER 31, 2016

EXPENSES: (Continued)

Staff recognition	2,931
Miscellaneous	1,406
Word wise	4,639
Property tax refunds	14,127
Grant Projects	7,247
Paperback books	5,910
Reference materials	2,622
Periodicals	30,840
Online databases	172,206
Building repairs and maintenance	81,556
Computer supplies	50,105
Branch furniture and fixtures	18,855
Depreciation	1,044,957
Total expenditures	<u>6,855,043</u>

REVENUE:

Property taxes	5,404,011
State shared revenues	104,789
Coop reimbursement	31,143
Fines and fees	108,232
Copier fees	45,276
Penal fines	771,983
Investment income	26,090
Contributions and grants	69,785
USF Phone refunds	21,165
Shared services	63,420
Other revenues	11,976
Total revenues	<u>6,657,870</u>

Excess of Revenues Over (Under) Expenditures (197,173)

Net Position - Beginning, as Restated 8,058,125

Net Position - Ending \$ 7,860,952

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FOUNDING PARTNER:

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MEMBERS:

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MICHIGAN ASSOCIATION OF
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AICPA GOVERNMENTAL AUDIT
QUALITY CENTER

Board of Trustees
Jackson District Library
Jackson County, Michigan

In planning and performing our audit of the financial statements of the governmental activities of the **Jackson District Library** as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered Jackson District Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Jackson District Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Jackson District Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed in the attached *Schedule of Findings and Responses*, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies listed in the *Schedule of Findings and Responses* in Jackson District Library's internal control to be significant deficiencies.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Markowski & Company, CPAs

Markowski & Company, CPAs
May 4, 2017

JACKSON DISTRICT LIBRARY
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2016

Findings considered a significant deficiency

Criteria

Statement on Auditing Standards No. 115 titled *Communicating Internal Control Related Matters Identified in an Audit* requires us to communicate in writing, to management and those charged with governance, significant deficiencies and material weaknesses identified in an audit.

Condition 2016 – 1

Because of the limited size of the Library's accounting staff, proper segregation of duties cannot be accomplished.

Cause

The Library has a lack of staff allowing for separation of duties.

Effect

The Library has staff performing conflicting internal control duties (such as preparing cash disbursements and reconciling the bank).

Recommendation

Library's management needs to continue to exercise oversight to help compensate for the lack of staff.

Library's Response

We are aware of this deficiency, management and the board will continue to exercise oversight to reduce the risks associated with the lack of staff size.

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AICPA GOVERNMENTAL AUDIT
QUALITY CENTER

Board of Trustees
Jackson District Library
Jackson County, Michigan

We have audited the general purpose financial statements of the Jackson District Library for the year ended December 31, 2016, and have issued our report thereon dated May 4, 2017. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated April 19, 2017, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Jackson District Library. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Jackson District Library are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Audit Findings (Continued)

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were property taxes receivable/deferred property taxes and the depreciable lives of the capital assets.

We evaluated the calculation of the property taxes receivable and the lives of each of the assets to determine that they are being expensed over the proper period of time.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We proposed a few audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the Jackson District Library's reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 4, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and management of the Jackson District Library and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Markowski & Company, CPAs

MARKOWSKI & COMPANY, CPAs
May 4, 2017