

JACKSON DISTRICT LIBRARY

FINANCIAL STATEMENTS

DECEMBER 31, 2018

**JACKSON DISTRICT LIBRARY
TABLE OF CONTENTS**

	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
Statement of Net Position	8
Statement of Activities	9
FUND FINANCIAL STATEMENTS:	
GOVERNMENTAL FUNDS:	
Governmental Fund Balance Sheet	10
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities	13
NOTES TO FINANCIAL STATEMENTS	14
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	29
Schedule of Changes in the Employer’s Net Pension Liability and Related Ratios	31
Schedule of Employer’s Pension Contributions	32
Schedule of Changes in the Employer’s Net OPEB Liability and Related Ratios	33
Schedule of Employer’s OPEB Contributions	34
ADDITIONAL INFORMATION	
Statement of Activities - Detail	35

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AICPA GOVERNMENTAL AUDIT
QUALITY CENTER

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K. LAVERNE MARKOWSKI, C.P.A. (1961-2006)

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, 2018, 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.

Independent 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 Trustee
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, 2018, 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.

Implementation of GASB Statement Number 75

As described in Note 13, the Library implemented the provisions of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in the current year. Accordingly, beginning net position of governmental activities was restated. Our opinion is not modified with respect to this matter.

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
April 5, 2019

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, 2018.

Financial Highlights

- The Library assets and deferred outflows of resources at the close of December 31, 2018, exceeded its liabilities and deferred inflows of resources by \$8,338,613 (net position). Of this amount, unrestricted net position of \$3,069,866 may be used to meet the Library's ongoing obligations.
- The total net position of the Library increased by \$1,359,463 during the year.
- At the close of the current fiscal year, the Library's governmental fund reported a combined ending fund balance of \$4,581,889, an increase of \$1,410,180. Approximately 98%, or \$4,509,772 of the fund balance is available for spending at the Library's discretion. Of this amount, 11%, 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, 2018 and 2017:

	Governmental Activities	
	2018	2017
Assets	\$ 17,922,965	\$ 16,589,887
Deferred Outflows of Resources	750,531	230,520
Liabilities	2,409,294	1,129,264
Deferred Inflows of Resources	7,925,589	7,853,041
Net Position		
Invested in Capital Assets, net	5,198,568	5,254,570
Restricted	70,179	84,537
Unrestricted	3,069,866	2,498,995
Total Net Position	\$ 8,338,613	\$ 7,838,102
Revenues		
Property taxes	\$ 8,003,611	\$ 5,656,418
State shared revenues	117,514	104,818
Charges for services	230,930	290,760
Penal fines	602,962	701,201
Investment income	37,569	30,143
Contributions and grants	153,931	159,129
USF phone refunds	8,199	39,249
Other refunds	8,279	14,121
Total revenues	\$ 9,162,995	\$ 6,995,839
Expenditures		
Culture and recreation	7,803,532	7,018,689
Change in Net Position	\$ 1,359,463	\$ (22,850)

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 \$8,338,613 and total net position increased by \$1,359,463 during the year.

General Fund Budgetary Highlights

Actual revenues were lower than final budgeted amount by 1%. Expenditures were lower than the final budget by 4% as salaries and wages and capital expenditures were lower than budgeted.

There were no unfavorable budget variances for expenditures between the final amended budget and actual results for the year ended December 31, 2018.

Capital Asset and Long-Term Debt Activity

The Library's investment in capital assets as of December 31, 2018, amounted to \$5,198,568 (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:

- \$182,178 was invested in improvements to Library branch buildings.
- \$715,280 was invested in books and related Library materials.
- \$54,412 was invested in computers and related software.

Funding Issues

The Library collected \$8,003,611 in property taxes in 2018; this reflected an increase of \$2,347,193 over 2017. This is due to a slight increase in property values and funds being collected from the 2016 millage renewal that included a slight increase. We are hopeful that stabilized and increasing property values holds true for the future. Low interest rates continue to impact our investment income.

Due to continued advocacy by the Michigan Library Association and support from the Michigan Legislature, state aid for public libraries had a slight increase in 2018. Penal fine revenue collections decreased in 2018 from 2017 highlighting the uncertainty of penal fines collected annually.

Management's Discussion and Analysis

Funding Issues (Continued)

In 2016, 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) for Other Post-Employment Benefits (OPEB). 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.

These changes represent the Board's commitment to annual progress to obtain a fully funded status for its OPEB liabilities. In 2018, the library completed the required reporting with the Michigan Department of Treasury and our corrective action plan has been approved with the goal of obtaining complete funding.

Beginning in 2010, new full-time employees are now enrolled in a hybrid pension plan through MERS which helps control future liabilities. In 2017, the Library Board addressed our employee pensions. 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 the 2017 MERS annual evaluation, the Library was 98% funded due to the Library Board's approved contribution of \$728,046. The Board continues to explore options to obtain full funding for the pension plan.

2018 Highlights

In 2018 Jackson County residents checked out over 1.7 million items in print and digital formats. In January of 2018 the library instituted automatic renewal of physical materials with no holds which is part of the increase in total circulation. Digital content circulation also continues to grow as more of the collection is being accessed in those formats. 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. The library continues to draw large audiences to its programs and events for all age groups. Usage of the library's public computers and wireless connection continues to remain high. In 2018 over 2600 programs were held in the library for all ages with total attendance over 64,000 people.

The library continues to focus on ways we can expand our engagement with the community. Worked continued in the 2018 to develop, pilot and launch programming related to our LSTA grant that focused on library engagement with those dealing with Alzheimer's and dementia and their caregivers. The grant allowed for the delivery of programs in care facilities and creation of kits that can be used in facilities or in homes.

Management's Discussion and Analysis

2018 Highlights (Continued)

In following up with training staff received late in 2017, JDL hosted community conversation to learn more about our community and the aspirations, challenges, ways to make our community better. These conversations were held with JDL staff and in the Concord community. In Concord the conversations led to seeking solutions to improve communication about the community to each other and creating shared community event planning. Information from the conversations was also used to help in strategic planning efforts of the Village, Township and Schools.

The Brooklyn Branch celebrated its 20th anniversary in May and the Friends of the Library-Brooklyn Branch hosted a family friendly reception that brought the community together to honor the entry of this library into the JDL system.

Library programming continues to be as unique as each community and engaging for all ages. The community forums allow for learning and conversation to take place and history and genealogy programs help the community understand the past. Youth programming included participation in the National Teen Lock-in, early literacy focused story times, 1000 Books before Kindergarten, Summer Reading, and so much more.

Facilities upgrades this year included the update of the Carnegie Elevator and refinishing the wood floors on the 2nd floor. At the Concord Branch the upper level and balcony were refinished which included carpet, paint, lights and new seating for the balcony. The Eastern Branch meeting room was updated along with an addition of staff office space and a refresh was done at the Summit Branch focused on the youth and computer space along with some improved storage. The Grass Lake Village and Friends of the Jackson District Library-Grass Lake Branch installed a new concrete ramp and stairs leading into the building and the Friends of the Jackson District Library-Hanover Branch installed a new sign to improve the branch visibility.

The Friends of Jackson District Library and all the Branch Friends 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 2019

Strategic goals through 2020 provide direction in developing new and expanded ways to promote lifelong learning, literacy, and supporting workforce and economic development. To address barriers to access, the library will seek to adjust and expand library hours in 2019. We will also develop an image guideline for our facilities to help create a cohesive look throughout the 13 library locations and the administration building. Once this plan is in place, we will be able to move forward on a variety of facilities projects. Plans are also in the works to bring bookmobile service back to Jackson County to help reach populations that cannot easily access branch locations based on geography or resources.

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, 2018

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS:	
Cash and cash equivalents	\$ 4,740,535
Accounts receivable:	
Penal fines	83,664
Other	28,198
Property taxes receivable	7,872,000
Capital assets, net	<u>5,198,568</u>
Total assets	<u>17,922,965</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension amounts	665,207
Deferred OPEB amounts	85,324
Total deferred outflows of resources	<u>750,531</u>
 LIABILITIES:	
Accounts payable	99,978
Accrued liabilities	28,788
Accrued payroll	78,563
Unearned revenue - Shared Computerization Agreement	63,179
Total current liabilities	<u>270,508</u>
Noncurrent liabilities:	
Compensated absences	332,090
Net pension liability	1,019,121
Net other post employment benefit payable	787,575
Total long-term liabilities	<u>2,138,786</u>
 DEFERRED INFLOWS OF RESOURCES:	
Deferred pension amounts	53,589
Property taxes	7,872,000
Total deferred inflows of resources	<u>7,925,589</u>
Total liabilities and deferred inflows of resources	<u>10,334,883</u>
 NET POSITION:	
Invested in capital assets, net of related debt	5,198,568
Restricted	70,179
Unrestricted	<u>3,069,866</u>
Total net position	<u><u>\$ 8,338,613</u></u>

See accompanying notes.

JACKSON DISTRICT LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

FUNCTION/PROGRAMS	PROGRAM REVENUES			GOVERNMENTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	ACTIVITIES NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
General government	\$ 7,803,532	\$ 230,930	\$ 153,931	\$ -
GENERAL REVENUES:				
Property taxes				8,003,611
State shared revenues				117,514
Penal fines				602,962
Investment income				37,569
USF phone refunds				8,199
Other revenues				8,279
Total general revenues				<u>8,778,134</u>
Change in net position				1,359,463
Net position - beginning of year (restated)				<u>6,979,150</u>
Net position - end of year				<u>\$ 8,338,613</u>

See accompanying notes.

JACKSON DISTRICT LIBRARY
GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2018

	GOVERNMENTAL FUND
ASSETS:	
Cash and cash equivalents	\$ 4,740,535
Accounts receivable:	
Penal fines	83,664
Other	28,198
Property taxes receivable	7,872,000
Total assets	\$ 12,724,397
 LIABILITIES:	
Accounts payable	\$ 99,978
Accrued liabilities	28,788
Accrued payroll	78,563
Unearned revenue - Shared Computerization Agreement	63,179
Total liabilities	270,508
 DEFERRED INFLOWS OF RESOURCES:	
Property taxes	7,872,000
 FUND BALANCES:	
Restricted	72,117
Assigned	500,000
Unassigned	4,009,772
Total fund balance	4,581,889
Total liabilities, deferred inflows of resources and fund balance	\$ 12,724,397

See accompanying notes.

JACKSON DISTRICT LIBRARY
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018

TOTAL FUND BALANCE - GOVERNMENTAL FUND \$ 4,581,889

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. 5,198,568

Compensated absences are long-term liabilities are not due and
payable in the current period and therefore are not reported in
governmental funds. (332,090)

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. (702,251)

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. (407,503)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 8,338,613

See accompanying notes.

JACKSON DISTRICT LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	GOVERNMENTAL FUND
REVENUES	
Property taxes	\$ 8,003,611
State shared revenues	117,514
Coop reimbursement	33,789
Fines and fees	52,252
Copier fees	40,524
Penal fines	602,962
Investment income	37,569
Contributions and grants	153,931
USF phone refunds	8,199
Shared services - JPS	60,564
Contractual - Financial stability coordinator	43,801
Other revenues	8,279
Total revenues	9,162,995
 EXPENDITURES	
Culture and recreation	7,752,815
 EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	1,410,180
 FUND BALANCES, BEGINNING OF YEAR	3,171,709
 FUND BALANCES, END OF YEAR	\$ 4,581,889

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, 2018

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENT FUND \$ 1,410,180

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures; in the
Statement of Activities, these costs are allocated over their
estimated useful lives as depreciation:

Capital outlays 957,691

Depreciation expense (1,013,693)

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. 15,870

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. 233,359

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. (243,944)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,359,463

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

JACKSON DISTRICT LIBRARY
INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS

	<u>PAGE</u> <u>NUMBERS</u>
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	14
NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY	16
NOTE 3: CASH, CASH EQUIVALENTS AND INVESTMENTS	17
NOTE 4: PROPERTY TAXES	19
NOTE 5: CAPITAL ASSETS	19
NOTE 6: COMPENSATED ABSENCES	20
NOTE 7: DEFINED BENEFIT PENSION PLAN	21
NOTE 8: JOINT VENTURE	25
NOTE 9: RESERVED FUND BALANCE/RESTRICTED NET POSITION	25
NOTE 10: RISK MANAGEMENT	25
NOTE 11: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS	26
NOTE 12: SUBSEQUENT EVENTS	27
NOTE 13: CHANGES IN ACCOUNTING STANDARDS	27

**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.

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;
- (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;

**JACKSON DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 3: CASH AND CASH EQUIVALENTS (Continued)

- (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	\$ 645
Insured (FDIC)	4,736,709
Uninsured	<u>3,181</u>
Total cash and cash equivalents	<u><u>\$ 4,740,535</u></u>

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

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 (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 2017 District levy of 1.7593 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 2017 levy covers the Library's fiscal year of January 1, 2018 to December 31, 2018. The 2017 tax levy became a lien on properties on December 1, 2017 and was substantially collected in early 2018. Taxes became delinquent on March 1, 2018. 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, 2018, for the 2019 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)	3 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	976,296	182,178	-	1,158,474
Books	1,935,232	323,000	301,967	1,956,265
E-Books	696,925	133,900	193,258	637,567
Audio Visual	1,080,684	215,880	297,835	998,729
Circulating Software	195,021	42,500	54,666	182,855
Computer Equipment	470,128	54,412	123,734	400,806
Equipment	526,349	5,821	-	532,170
Subtotal	<u>8,944,870</u>	<u>957,691</u>	<u>971,460</u>	<u>8,931,101</u>
Less Accumulated Depreciation for:				
Buildings	355,917	68,486	-	424,403
Building Improvements	287,158	85,910	-	373,068
Books	1,136,732	323,553	301,967	1,158,318
E-Books (Amortization)	420,959	107,869	193,258	335,570
Audio Visual	729,506	244,578	297,835	676,249
Circulating Software	126,741	45,443	54,666	117,518
Computer Equipment	336,934	83,897	123,734	297,097
Equipment	296,353	53,957	-	350,310
Subtotal	<u>3,690,300</u>	<u>1,013,693</u>	<u>971,460</u>	<u>3,732,533</u>
Net Capital Assets Being Depreciated	<u><u>\$ 5,254,570</u></u>	<u><u>\$ (56,002)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,198,568</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, 2018, 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:

01-General: Closed to new hires, linked to Division HA	
	2016 Valuation
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)
HA - General hired after 7/1/2010: Open Division, lined to Division 01	
	2016 Valuation
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, 2017 valuation date, the following employees were covered by the benefit terms:

Active employees	38
Vested former employees	5
Retirees and beneficiaries	<u>40</u>
	<u>83</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, 2018 were \$150,438.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2018 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, 2018 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3.75%

Salary Increases: 3.75% in the long-term

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
Global Equity	55.50%
Global Fixed Income	18.50%
Real Assets	13.50%
Diversifying Strategies	12.50%

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 12/31/17	\$ 8,090,634	\$ 7,901,996	\$ 188,638
Changes for the Year			
Service Cost	147,671	-	147,671
Interest on Total Pension Liability	636,562	-	636,562
Changes in benefits	-	-	-
Difference between expected and actual experience	(72,665)	-	(72,665)
Changes in assumptions	-	-	-
Employer Contributions	-	150,438	(150,438)
Employee Contributions	-	36,549	(36,549)
Net investment income	-	(305,329)	305,329
Benefit payments, including employee refunds	(414,894)	(414,894)	-
Administrative expense (negative number)	-	(15,231)	15,231
Other changes	(14,658)	-	(14,658)
Net changes	282,016	(548,467)	830,483
Balances as of 12/31/18	\$ 8,372,650	\$ 7,353,529	\$ 1,019,121

**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%
Change in Net Pension Liability (NPL)	\$ 856,213		\$ (734,007)

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, 2018 the employer recognized pension expense of \$394,382. 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	\$ -	\$ 53,589
Differences in assumptions	115,260	-
Excess (Deficit) Investment Returns	549,947	-
Contributions subsequent to the measurement date	-	-
Total	\$ 665,207	\$ 53,589

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, 2018.

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

Year Ended	Deferred Outflows	Deferred Inflows
2019	\$ 301,638	\$ 33,078
2020	69,988	2,344
2021	108,030	18,167
2022	185,551	-
Total	\$ 665,207	\$ 53,589

**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 Library has recognized the College's unspent contribution as unearned revenues in the Statement of Net Position.

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	\$	63,179
Restricted for donor imposed restrictions		7,000
Total Restricted Net Position	\$	<u>70,179</u>

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
Shared computerization agreement		63,179
Encumbrances		1,938
Total restricted	\$	<u>72,117</u>
Assigned for:		
Technology	\$	<u>500,000</u>

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, 2018, the Library has estimated the cost of providing retiree healthcare benefits using a "roll-forward" method based on the actuarial valuation as of December 31, 2017. 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 funding progress of the Plan as of the most recent valuation date is as follows:

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at 12/31/17	\$ 1,440,219	\$ 504,609	\$ 935,610
Changes for the Year			
Service Cost	7,869	-	7,869
Interest Cost	108,679	-	108,679
Projected Earnings on Fiduciary Net Position	-	47,642	(47,642)
Difference between projected and actual earnings	-	(106,655)	106,655
Employer Contributions	-	325,207	(325,207)
Employee Contributions	-	5,315	(5,315)
Benefit payments, including employee refunds	(83,407)	(88,721)	5,314
Administrative expense	-	(1,612)	1,612
Other changes	-	-	-
Net changes	<u>33,141</u>	<u>181,176</u>	<u>(148,035)</u>
Balances as of 12/31/18	<u>\$ 1,473,360</u>	<u>\$ 685,785</u>	<u>\$ 787,575</u>

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

The following presents the Net OPEB Liability of the employer, calculated using the discount rate of 7.75% as well as what the employer's Net OPEB Liability would be using a discount rate that is 1 percentage point lower (6.75%) or 1% higher (8.75%) than the current rate.

	1% Decrease 6.75%	Current Discount Rate (7.75%)	1% Increase 8.75%
Change in Net OPEB Liability (NPL)	\$ 109,765		\$ (96,505)

**JACKSON DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

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

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

	<u>Deferred Outflows of Resources</u>
Differences between projected and actual earnings	<u>\$ 85,324</u>

Amounts reported as deferred outflows of resources related to the OPEB will be recognized in OPEB expense as follows:

Schedule of Deferred Outflows (Inflows)	
2019	\$ 21,331
2020	21,331
2021	21,331
2022	21,331
	<u>\$ 85,324</u>

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, 2018 actuarial valuation, the actuarial assumptions include the following:

Discount rate used for liability determination	7.75%
Salary Scale	3.00%
Long-Term expected rate of return on MERS RHFV	7.75%

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.

Employees hired after July 1, 2007 are not eligible for this benefit, as the system was closed to new hires after July 1, 2007.

NOTE 12: SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 5, 2018, the date on which the financial statements were available to be issued.

NOTE 13: CHANGES IN ACCOUNTING STANDARDS

The Library implemented GASB Statement Number 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The statement requires governments that have defined benefits other than pensions to report these liabilities in the Statement of Net Position.

Beginning Net Position was restated by \$858,953 to reflect the beginning balance of the Library's net other postemployment benefits (OPEB).

REQUIRED SUPPLEMENTARY INFORMATION

JACKSON DISTRICT LIBRARY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
Revenue				
Property taxes	\$ 7,647,649	\$ 8,004,000	\$ 8,003,611	\$ (389)
State shared revenues	116,628	117,514	117,514	-
Coop Reimbursement	31,000	33,789	33,789	-
Fines and fees	50,000	52,000	52,252	252
Copier fees	42,000	46,521	40,524	(5,997)
Penal fines	650,000	603,000	602,962	(38)
Investment income	20,000	37,422	37,569	147
Contributions and grants	146,000	149,949	153,931	3,982
USF Phone refunds	15,000	8,199	8,199	-
Shared services - JPS	85,000	61,000	60,564	(436)
Contractual - Financial stability coordinator	45,000	44,000	43,801	(199)
Other revenues	10,200	10,300	8,279	(2,021)
Total Revenues	8,858,477	9,167,694	9,162,995	(4,699)
Expenditures				
Salaries and wages	3,620,000	3,647,000	3,646,759	241
Board per diem	3,000	3,000	2,940	60
Social security	276,930	276,930	268,978	7,952
Retirement	127,254	170,000	169,383	617
Health insurance	438,422	445,000	428,216	16,784
Retiree health care	400,000	326,000	325,207	793
Life insurance	8,000	8,000	6,078	1,922
Unemployment	3,000	-	-	-
Director's conferences	4,000	1,846	1,846	-
Postage	25,000	20,000	18,629	1,371
Office supplies	25,000	25,000	23,984	1,016
Printing/promotions/publicity	120,000	120,000	104,560	15,440
Technical processing supplies	21,000	21,000	18,975	2,025
Contracted services:				
Professional	95,000	95,000	86,103	8,897
Office equipment	30,000	30,000	25,594	4,406
Building/grounds	174,500	187,000	184,481	2,519
Software/upgrades	55,000	60,000	59,574	426
Other	130,000	120,000	106,424	13,576
Online computer library catalog	30,000	30,000	28,979	1,021
Shared computerization maintenance	66,950	64,854	64,854	-
Building and maintenance supply	28,000	26,000	25,908	92
Gifts and memorial materials	25,000	15,000	11,914	3,086
Staff development	40,000	45,000	41,700	3,300
Indirect State aid	58,314	58,757	58,757	-
Professional memberships and dues	10,000	12,000	9,544	2,456
Subtotal	5,814,370	5,807,387	5,719,387	88,000

JACKSON DISTRICT LIBRARY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
Expenditures (Continued)	5,814,370	5,807,387	5,719,387	88,000
Interloan	2,000	2,000	1,821	179
Telephone	55,000	55,000	46,735	8,265
Internet access lines	30,000	21,000	20,480	520
Transportation-Fuel	7,000	8,700	8,644	56
Mileage reimbursement	18,000	18,000	17,577	423
Library programs:				
Adult programs	50,000	50,000	26,253	23,747
Children's programs	105,000	105,000	89,145	15,855
Bindery	1,500	1,500	893	607
Insurance and bonds	48,000	60,000	54,819	5,181
Utilities	137,700	145,000	141,588	3,412
Vehicle repairs and maintenance	5,000	15,000	11,640	3,360
Miscellaneous	5,000	9,500	8,188	1,312
Word wise	5,000	2,578	2,578	-
Staff recognition	5,000	5,000	4,931	69
Property tax refunds	15,000	7,700	6,619	1,081
Grant Projects	115,000	115,000	71,709	43,291
Books:				
Hardbound/Trade	342,600	343,600	323,000	20,600
Paperback	9,600	9,600	7,590	2,010
Reference	2,900	2,930	2,930	-
Periodicals	28,300	28,300	27,654	646
Audio-visual	216,200	216,200	215,880	320
Online resources	440,250	440,250	434,376	5,874
Electronic software	45,000	45,000	42,500	2,500
Building repairs and maintenance	250,000	150,000	135,629	14,371
Computer supplies	57,000	57,000	34,586	22,414
Branch furniture and fixtures	40,000	55,000	53,252	1,748
Strategic Initiatives	5,000	-	-	-
Capital outlay:				
Computers/Software	55,000	55,000	54,412	588
Buildings	500,000	250,000	187,999	62,001
Total Expenditures	8,410,420	8,081,245	7,752,815	328,430
Net Change in Fund Balances	448,057	1,086,449	1,410,180	323,731
Fund Balance, beginning of year	3,171,709	3,171,709	3,171,709	-
Fund Balance, end of year	\$ 3,619,766	\$ 4,258,158	\$ 4,581,889	\$ 323,731

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

	2015	2016	2017	2018
Total Pension Liability				
Service Cost	\$ 175,359	\$ 149,044	\$ 142,933	\$ 147,671
Interest	522,380	569,594	604,426	636,562
Changes of Benefit Terms	-	-	-	-
Difference between expected and actual experience	-	(122,945)	63,294	(72,665)
Changes of assumptions	-	461,040	-	-
Benefit payments including employee refunds	(303,144)	(330,200)	(368,594)	(414,894)
Other	6,514	(53,125)	(19,583)	(14,658)
Net Change in Total Pension Liability	<u>401,109</u>	<u>673,408</u>	<u>422,476</u>	<u>282,016</u>
Total Pension Liability beginning	<u>6,593,641</u>	<u>6,994,750</u>	<u>7,668,158</u>	<u>8,090,634</u>
Total Pension Liability ending	<u><u>\$6,994,750</u></u>	<u><u>\$ 7,668,158</u></u>	<u><u>\$8,090,634</u></u>	<u><u>\$8,372,650</u></u>
Plan Fiduciary Net Position				
Contributions-employer	\$ 110,088	\$ 136,064	\$ 859,355	\$ 150,438
Contributions-employee	55,936	46,145	40,280	36,549
Net Investment income	(92,710)	674,229	925,106	(305,329)
Benefit payments including employee refunds	(303,144)	(330,200)	(368,594)	(414,894)
Administrative expense	(13,534)	(13,309)	(14,570)	(15,231)
Net Change in Plan Fiduciary Net Position	<u>(243,364)</u>	<u>512,929</u>	<u>1,441,577</u>	<u>(548,467)</u>
Plan Fiduciary Net Position beginning	<u>6,190,855</u>	<u>5,947,490</u>	<u>6,460,419</u>	<u>7,901,996</u>
Plan Fiduciary Net Position ending	<u><u>\$5,947,491</u></u>	<u><u>\$ 6,460,419</u></u>	<u><u>\$7,901,996</u></u>	<u><u>\$7,353,529</u></u>
Employer Net Pension Liability	<u><u>\$1,047,259</u></u>	<u><u>\$ 1,207,739</u></u>	<u><u>\$ 188,638</u></u>	<u><u>\$1,019,121</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	85%	84%	98%	88%
Covered Employee Payroll (from GASB 68 actuarial page)	\$1,789,781	\$ 1,582,579	\$1,628,733	\$1,892,439
Employer's Net Pension Liability as a percentage of covered employee payroll	59%	76%	12%	54%

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 Pension Contributions
Last 10 Fiscal Years

	2015	2016	2017	2018
Actuarial Determined Contributions	\$ 110,088	\$ 136,064	\$ 131,309	\$ 150,438
Contributions in relation to the actuarially determined contribution	110,088	136,064	859,355	150,438
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (728,046)</u>	<u>\$ -</u>
 Covered Employee Payroll	 \$ 1,789,781	 \$ 1,582,579	 \$ 1,628,733	 \$ 1,892,439
 Contributions as a percentage of covered employee payroll	 6%	 9%	 53%	 8%

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.

Jackson District Library
Schedule of Changes in the Employer's Net OPEB Liability and Related Ratios
Last 10 Fiscal Years

	2018
Total OPEB Liability	
Service cost	\$ 7,869
Interest	108,679
Benefit payments including employee refunds	(83,407)
Net Change in Total OPEB Liability	33,141
Total OPEB Liability beginning	1,440,219
Total OPEB Liability ending	\$ 1,473,360
 Plan Fiduciary Net Position	
Contributions-employer	\$ 325,207
Contributions-employee	5,315
Projected earnings on fiduciary net position	47,642
Difference between projected and actual earnings	(106,655)
Benefit payments including employee refunds	(88,721)
Administrative expense	(1,612)
Net Change in Plan Fiduciary Net Position	181,176
Plan Fiduciary Net Position beginning	504,609
Plan Fiduciary Net Position ending	\$ 685,785
 Employer Net OPEB Liability	\$ 787,575
 Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	47%
 Covered Employee Payroll	\$ 874,679
Employer's Net OPEB Liability as a percentage of covered employee payroll	90%

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 OPEB Contributions
 Last 10 Fiscal Years

	2018
Actuarial Determined Contributions	\$ 82,671
Contributions in relation to the actuarially determined contribution	325,207
Contribution deficiency (excess)	\$ (242,536)
 Covered Employee Payroll	874,679
 Contributions as a percentage of covered employee payroll	37%
 Discount rate used for liability determination	7.75%
Salary Scale	3.00%
Long-Term expected rate of return on MERS RHFV	7.75%
 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.	

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, 2018

EXPENSES:

Salaries and wages	\$ 3,630,889
Board per diem	2,940
Social security	268,978
Retirement	413,327
Health insurance	428,216
Retiree health care	91,848
Life insurance	6,078
Director's conferences	1,846
Postage	18,629
Office supplies	23,984
Printing/promotions/publicity	104,560
Technical processing supplies	18,975
Contracted services:	
Professional	86,103
Office equipment	25,594
Building/grounds	184,481
Software/upgrades	59,574
Other	106,424
Online computer library catalog	28,979
Shared computerization agreement	64,854
Building and maintenance supply	25,908
Gifts and memorial materials	11,914
Staff development	41,700
Professional memberships and dues	58,757
Indirect State aid	9,544
Interloan	1,821
Telephone	46,735
Internet access lines	20,480
Transportation-Fuel	8,644
Mileage reimbursement	17,577
Library programs:	
Adult	26,253
Children's	89,145
Bindery	893
Insurance and bonds	54,819
Utilities	141,588
Vehicle repairs and maintenance	11,640
Subtotal	6,133,697

JACKSON DISTRICT LIBRARY
STATEMENT OF ACTIVITIES - DETAIL
FOR THE YEAR ENDED DECEMBER 31, 2018

EXPENSES: (Continued)

Miscellaneous	8,188
Word wise	2,578
Staff recognition	4,931
Property tax refunds	6,619
Grant Projects	71,709
Paperback books	7,590
Reference materials	2,930
Periodicals	27,654
Online resources	300,476
Building repairs and maintenance	135,629
Computer supplies	34,586
Branch furniture and fixtures	53,252
Depreciation	1,013,693
Total expenditures	<u>7,803,532</u>

REVENUE:

Property taxes	8,003,611
State shared revenues	117,514
Coop reimbursement	33,789
Fines and fees	52,252
Copier fees	40,524
Penal fines	602,962
Investment income	37,569
Contributions and grants	153,931
USF Phone refunds	8,199
Shared services	60,564
Contractual-Financial stability coordinator	43,801
Other revenues	8,279
Total revenues	<u>9,162,995</u>

Excess of Revenues Over (Under) Expenditures 1,359,463

Net Position - Beginning, as restated 6,979,150

Net Position - Ending \$ 8,338,613

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RANDALL D. BIDDIX, C.P.A.

FOUNDING PARTNER:

K. LAVERNE MARKOWSKI, C.P.A. (1961-2006)

MEMBERS:

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MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

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, 2018, 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
April 5, 2019

JACKSON DISTRICT LIBRARY
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2018

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 2018 – 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, 2018 and have issued our report thereon dated April 5, 2019. 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 March 1, 2019, 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 2018. 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 April 5, 2019.

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
April 5, 2019