

**JACKSON DISTRICT LIBRARY**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

**JACKSON DISTRICT LIBRARY  
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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, 2019, 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***

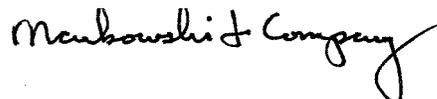
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Jackson District Library of Jackson, Michigan, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof 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 29 through 34 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.



Jackson, Michigan  
June 1, 2020

## 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, 2019.

### **Financial Highlights**

- The Library assets and deferred outflows of resources at the close of December 31, 2019, exceeded its liabilities and deferred inflows of resources by \$9,444,959 (net position). Of this amount, unrestricted net position of \$4,044,326 may be used to meet the Library's ongoing obligations.
- The total net position of the Library increased by \$1,106,346 during the year.
- At the close of the current fiscal year, the Library's governmental fund reported a combined ending fund balance of \$5,423,278, an increase of \$841,389. Approximately 98%, or \$5,334,655 of the fund balance is available for spending at the Library's discretion. Of this amount, 9%, 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, 2019 and 2018:

	Governmental Activities	
	2019	2018
Assets	\$ 19,208,614	\$ 17,922,965
Deferred Outflows of Resources	192,332	750,531
Liabilities	1,231,484	2,409,294
Deferred Inflows of Resources	8,724,503	7,925,589
Net Position		
Invested in Capital Assets, net	5,314,349	5,198,568
Restricted	86,284	70,179
Unrestricted	4,044,326	3,069,866
Total Net Position	\$ 9,444,959	\$ 8,338,613
Revenues		
Property taxes	\$ 7,956,493	\$ 8,003,611
State shared revenues	128,443	117,514
Charges for services	180,400	230,930
Penal fines	503,703	602,962
Investment income	62,295	37,569
Contributions and grants	193,958	153,931
USF phone refunds	3,114	8,199
Other refunds	10,993	8,279
Total revenues	\$ 9,039,399	\$ 9,162,995
Expenditures		
Culture and recreation	7,933,053	7,803,532
Change in Net Position	\$ 1,106,346	\$ 1,359,463

## **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 \$9,444,959 and total net position increased by \$1,106,346 during the year.

### **General Fund Budgetary Highlights**

Actual revenues were lower than final budgeted amount by 2%. 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, 2019.

### **Capital Asset and Long-Term Debt Activity**

The Library's investment in capital assets as of December 31, 2019, amounted to \$5,314,349 (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:

- \$73,680 was invested in improvements to Library branch buildings.
- \$820,396 was invested in books and related Library materials.
- \$61,773 was invested in computers and related software.
- \$114,360 was invested in Library equipment.

### **2019 Highlights**

In 2019 Jackson County residents checked out nearly 1.8 million items in print and digital 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.

Usage of the library's public computers and wireless connection continues to remain high and the circulating internet hotspot collection is never on the shelf. In the fall we added 43 additional open hours throughout the county to increase access to the library.

## Management's Discussion and Analysis

### **2019 Highlights** (Continued)

The library continues to draw large audiences to its programs and events for all age groups. In 2019 over 2800 programs were held in the library for all ages with total attendance nearly 73,000 people. JDL created a Human Library event which allowed people to check out other people and learn of different life experiences and lifestyles. We were also selected to participate in a Grow with Google learning day that offered tools for using the internet to nonprofit organizations and small business.

Our community programs continued the tradition of the annual Young Poets Contest with visiting poet Kali Dakos, the Summer Reading program which celebrated increased participation and the storytelling tradition of Jackson Storyfest.

The library worked on the design of a new bookmobile to be launched in 2020 and develop a cohesive interior design plan to be deployed in future building or refresh projects. Staff and the Library Board began to plan for the expansion of the Carnegie Library with space for support services. We engaged in an equity audit to review our policies and hiring practice. Our community engagement efforts included expansion of services to older populations along with hiring a social worker to connect the library with underserved populations.

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 2020**

As this audit is being prepared the library is just returning to service after being physically closed to the public from March 15 through June 15, 2020 due to the Covid-19 Pandemic. We will be phasing reopening of our services and physical buildings as appropriate. We anticipate reduced funding from State Aid and Penal Fines due the shutdown of the state and will monitor any long-term effects to our property tax revenue.

The Bookmobile is in production and should be complete late in 2020. Planning for the Brooklyn Branch expansion and renovation will be complete by mid-summer and construction should start in 2020. The Carnegie Youth Service Room will be renovated in early 2020 with the JDL Design standards. The library delivery truck will also be replaced. Using the results of community conversations held in 2019 with the Springport community, we will explore partnering with the local school to develop shared space for library services and explore other space options in other communities as appropriate.

## Management's Discussion and Analysis

### **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, 2019

	<u>GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 5,610,565
Accounts receivable:	
Penal fines	70,140
Other	28,560
Property taxes receivable	8,185,000
Capital assets, net	<u>5,314,349</u>
Total assets	<u>19,208,614</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred pension amounts	128,339
Deferred OPEB amounts	<u>63,993</u>
Total deferred outflows of resources	<u>192,332</u>
 <b>LIABILITIES:</b>	
Accounts payable	82,397
Accrued liabilities	25,997
Accrued payroll	98,309
Unearned revenue - Grants/Shared Computerization Agreement	<u>79,284</u>
Total current liabilities	<u>285,987</u>
Noncurrent liabilities:	
Compensated absences	363,214
Net pension liability	548,346
Net other post employment benefit payable (OPEB)	<u>33,937</u>
Total long-term liabilities	<u>945,497</u>
 <b>DEFERRED INFLOWS OF RESOURCES:</b>	
Deferred pension amounts	153,224
Deferred OPEB amounts	386,279
Property taxes	<u>8,185,000</u>
Total deferred inflows of resources	<u>8,724,503</u>
Total liabilities and deferred inflows of resources	<u>9,955,987</u>
 <b>NET POSITION:</b>	
Invested in capital assets, net of related debt	5,314,349
Restricted	86,284
Unrestricted	<u>4,044,326</u>
Total net position	<u><u>\$ 9,444,959</u></u>

See accompanying notes.

**JACKSON DISTRICT LIBRARY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

FUNCTION/PROGRAMS	PROGRAM REVENUES			GOVERNMENTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	ACTIVITIES NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
General government	\$ 7,933,053	\$ 180,400	\$ 193,958	\$ (7,558,695)
GENERAL REVENUES:				
Property taxes				7,956,493
State shared revenues				128,443
Penal fines				503,703
Investment income				62,295
USF phone refunds				3,114
Other revenues				10,993
Total general revenues				<u>8,665,041</u>
Change in net position				1,106,346
Net position - beginning of year				<u>8,338,613</u>
Net position - end of year				<u>\$ 9,444,959</u>

See accompanying notes.

**JACKSON DISTRICT LIBRARY**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**DECEMBER 31, 2019**

	<u>GOVERNMENTAL FUND</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 5,610,565
Accounts receivable:	
Penal fines	70,140
Other	28,560
Property taxes receivable	<u>8,185,000</u>
Total assets	<u><u>\$ 13,894,265</u></u>
 <b>LIABILITIES:</b>	
Accounts payable	\$ 82,397
Accrued liabilities	25,997
Accrued payroll	98,309
Unearned revenue - Grants/Shared Computerization Agreement	79,284
Total liabilities	<u>285,987</u>
 <b>DEFERRED INFLOWS OF RESOURCES:</b>	
Property taxes	<u>8,185,000</u>
 <b>FUND BALANCES:</b>	
Restricted	88,623
Assigned	500,000
Unassigned	4,834,655
Total fund balance	<u>5,423,278</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 13,894,265</u></u>

See accompanying notes.

**JACKSON DISTRICT LIBRARY**  
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2019

TOTAL FUND BALANCE - GOVERNMENTAL FUND \$ 5,423,278

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. 5,314,349

Compensated absences are long-term liabilities are not due and  
payable in the current period and therefore are not reported in  
governmental funds. (363,214)

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. (356,223)

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. (573,231)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 9,444,959

See accompanying notes.

**JACKSON DISTRICT LIBRARY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	GOVERNMENTAL FUND
REVENUES	
Property taxes	\$ 7,956,493
State shared revenues	128,443
Coop reimbursement	35,086
Fines and fees	45,337
Copier fees	37,055
Penal fines	503,703
Investment income	62,295
Contributions and grants	144,473
USF phone refunds	3,114
Shared services - JPS	62,922
Contractual - Financial stability coordinator	49,485
Other revenues	10,993
Total revenues	9,039,399
EXPENDITURES	
Culture and recreation	8,198,010
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	841,389
FUND BALANCES, BEGINNING OF YEAR	4,581,889
FUND BALANCES, END OF YEAR	\$ 5,423,278

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, 2019**

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENT FUND	\$ 841,389
<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	1,070,209
Depreciation expense	(942,578)
Increase 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.	(31,124)
Loss on disposition of capital assets	\$ (11,850)
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.	346,028
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.	<u>(165,728)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,106,346</u></u>

See accompanying notes.

**NOTES TO FINANCIAL STATEMENTS**

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

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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 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 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> 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	\$ 577
Insured (FDIC)	5,600,817
Uninsured	<u>9,171</u>
 Total cash and cash equivalents	 <u><u>\$ 5,610,565</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 2018 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 2018 levy covers the Library's fiscal year of January 1, 2019 to December 31, 2019. The 2018 tax levy became a lien on properties on December 1, 2018 and was substantially collected in early 2019. Taxes became delinquent on March 1, 2019. 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, 2019, for the 2020 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:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental Activities</b>				
Capital Assets Being Depreciated:				
Land	\$ 275,900	\$ -	\$ -	\$ 275,900
Buildings	2,788,335	-	-	2,788,335
Building Improvements	1,158,474	73,680	-	1,232,154
Books	1,956,265	336,745	341,338	1,951,672
E-Books	637,567	292,829	62,539	867,857
Audio Visual	998,729	190,822	314,106	875,445
Circulating Software	182,860	-	50,556	132,304
Computer Equipment	400,806	61,773	140,617	321,962
Equipment	532,170	114,360	-	646,530
Subtotal	<u>8,931,106</u>	<u>1,070,209</u>	<u>909,156</u>	<u>9,092,159</u>
Less Accumulated Depreciation for:				
Buildings	424,403	68,486	-	492,889
Building Improvements	373,068	60,474	-	433,542
Books	1,158,318	322,348	341,338	1,139,328
E-Books (Amortization)	335,570	130,747	62,539	403,778
Audio Visual	676,249	214,116	314,106	576,259
Circulating Software	117,518	36,610	50,556	103,572
Computer Equipment	297,097	63,088	128,762	231,423
Equipment	350,310	46,709	-	397,019
Subtotal	<u>3,732,533</u>	<u>942,578</u>	<u>897,301</u>	<u>3,777,810</u>
Net Capital Assets Being Depreciated	<u><b>\$ 5,198,573</b></u>	<u><b>\$ 127,631</b></u>	<u><b>\$ 11,855</b></u>	<u><b>\$ 5,314,349</b></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 workdays will be paid by the Library after 5 years of service.

Unpaid leave at December 31, 2019, 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](http://www.mersofmich.com).

**Benefits Provided:**

01-General: Closed to new hires, linked to Division HA	
	2017 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	
	2017 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, 2018 valuation date, the following employees were covered by the benefit terms:

Active employees	46
Vested former employees	6
Retirees and beneficiaries	<u>40</u>
	<u>92</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, 2019 were \$154,974.

**Net Pension Liability**

The employer's Net Pension Liability was measured as of December 31, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an 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	Base Allocation	Minimum Allocation	Maximum Allocation
Global Equity	60.0%	35.0%	70.0%
Global Fixed Income	20.0%	10.0%	60.0%
Private Investments	20.0%	No Minimum	30.0%

**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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 12/31/18</b>	\$ 8,372,650	\$ 7,353,530	\$ 1,019,120
<b>Changes for the Year</b>			
Service Cost	154,801	-	154,801
Interest on Total Pension Liability	657,838	-	657,838
Changes in benefits	-	-	-
Difference between expected and actual experience	(49,948)	-	(49,948)
Changes in assumptions	-	-	-
Employer Contributions	-	154,974	(154,974)
Employee Contributions	-	31,738	(31,738)
Net investment income	-	990,008	(990,008)
Benefit payments, including employee refunds	(454,142)	(454,142)	-
Administrative expense (negative number)	-	(17,059)	17,059
Other changes	(73,804)	-	(73,804)
<b>Net changes</b>	234,745	705,519	(470,774)
<b>Balances as of 12/31/19</b>	<b>\$ 8,607,395</b>	<b>\$ 8,059,049</b>	<b>\$ 548,346</b>

**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.

	<b>1% Decrease 7.00%</b>	<b>Current Discount Rate (8.0%)</b>	<b>1% Increase 9.00%</b>
Change in Net Pension Liability (NPL) \$	869,839		\$ (746,108)

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, 2019 the employer recognized pension expense of \$320,702. 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	\$ -	\$ 153,224
Differences in assumptions	-	-
Excess (Deficit) Investment Returns	128,339	-
Total	<b>\$ 128,339</b>	<b>\$ 153,224</b>

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, 2019.

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
2020	\$ -	\$ 27,464
2021	25,409	30,654
2022	102,930	12,485
2023	-	82,621
Total	<b>\$ 128,339</b>	<b>\$ 153,224</b>

**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	\$	54,042
Restricted for unearned grants		25,242
Restricted for donor imposed restrictions		7,000
Total Restricted Net Position	<b>\$</b>	<b><u>86,284</u></b>

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		54,042
Restricted for unearned grants		25,242
Encumbrances		2,339
Total restricted	<b>\$</b>	<b><u>88,623</u></b>
Assigned for:		
Technology	<b>\$</b>	<b><u>500,000</u></b>

**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, 2019, 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)
<b>Balances at 12/31/18</b>	\$ 1,473,360	\$ 685,785	\$ 787,575
<b>Changes for the Year</b>			
Service Cost	8,348	-	8,348
Interest Cost	111,862	-	111,862
Projected Earnings on Fiduciary Net Position	-	63,249	(63,249)
Net Difference between projected and actual earnings	(262,731)	42,078	(304,809)
Changes in assumptions	(177,167)	-	(177,167)
Employer Contributions	-	330,163	(330,163)
Employee Contributions	-	6,158	(6,158)
Net Benefits Paid by Employer	(67,963)	(74,121)	6,158
Administrative expense	-	(1,540)	1,540
Other changes	-	-	-
<b>Net changes</b>	(387,651)	365,987	(753,638)

**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 (NOL)	\$ 118,704		\$ (40,664)

**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**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings	\$ 63,993	\$ 33,662
Difference between expected and actual experience	-	210,602
Changes in assumptions	-	142,015
	<b>\$ 63,993</b>	<b>\$ 386,279</b>

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

Schedule of Deferred Outflows (Inflows)

2020	\$ (74,366)
2021	(74,366)
2022	(74,366)
2023	(95,695)
2024	(3,493)
	<b>\$ (322,286)</b>

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, 2019 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 June 1, 2019, the date on which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**JACKSON DISTRICT LIBRARY**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
Revenue				
Property taxes	\$ 7,872,739	\$ 8,000,000	\$ 7,956,493	\$ (43,507)
State shared revenues	128,000	128,443	128,443	-
Coop Reimbursement	31,000	35,086	35,086	-
Fines and fees	45,000	45,000	45,337	337
Copier fees	45,000	45,000	37,055	(7,945)
Penal fines	600,000	600,000	503,703	(96,297)
Investment income	35,000	50,000	62,295	12,295
Contributions and grants	95,500	155,550	144,473	(11,077)
USF Phone refunds	10,000	3,114	3,114	-
Shared services - JPS	70,000	70,000	62,922	(7,078)
Contractual - Financial stability coordinator	60,000	60,000	49,485	(10,515)
Other revenues	10,700	11,700	10,993	(707)
<b>Total Revenues</b>	<b>9,002,939</b>	<b>9,203,893</b>	<b>9,039,399</b>	<b>(164,494)</b>
Expenditures				
Salaries and wages	3,919,800	3,950,000	3,898,643	51,357
Board per diem	3,000	3,000	2,760	240
Social security	299,865	302,175	287,049	15,126
Retirement	200,000	200,000	177,799	22,201
Health insurance	438,000	485,000	478,223	6,777
Retiree health care	400,000	390,000	330,163	59,837
Life insurance	8,000	8,000	5,549	2,451
Unemployment	3,000	3,122	3,122	-
Director's conferences	4,000	4,000	3,926	74
Postage	25,000	25,000	21,168	3,832
Office supplies	25,000	25,000	24,727	273
Printing/promotions/publicity	120,000	124,000	121,860	2,140
Technical processing supplies	21,000	21,000	16,336	4,664
Contracted services:				
Professional	150,000	150,000	122,104	27,896
Office equipment	55,000	53,000	48,807	4,193
Building/grounds	237,000	249,000	247,292	1,708
Software/upgrades	60,000	69,000	68,479	521
Other	73,000	73,000	72,494	506
Online computer library catalog	40,000	40,000	38,500	1,500
Shared computerization maintenance	68,959	65,678	65,678	-
Building and maintenance supply	44,500	38,200	33,983	4,217
Gifts and memorial materials	20,000	20,000	5,343	14,657
Staff development	50,000	46,000	38,916	7,084
Indirect State aid	58,314	64,221	64,221	-
Professional memberships and dues	12,000	12,000	11,301	699
Subtotal	6,335,438	6,420,396	6,188,443	231,953

**JACKSON DISTRICT LIBRARY**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
Expenditures (Continued)	6,335,438	6,420,396	6,188,443	231,953
Interloan	2,000	2,000	1,932	68
Telephone	55,000	59,000	58,418	582
Internet access lines	25,000	7,278	7,278	-
Transportation-Fuel	9,000	9,000	7,666	1,334
Mileage reimbursement	18,000	24,000	22,641	1,359
Library programs:				
Adult and family programs	41,000	41,000	40,153	847
Community engagement programs	55,000	55,000	51,414	3,586
Youth service programs	23,000	13,000	11,194	1,806
Summer reading programs	41,000	51,000	49,638	1,362
Bindery	2,000	2,000	1,782	218
Insurance and bonds	50,000	45,000	44,217	783
Utilities	145,452	141,454	140,645	809
Vehicle repairs and maintenance	5,000	5,000	4,911	89
Staff recognition	10,000	15,500	15,423	77
Property tax refunds	15,000	15,000	7,328	7,672
Grant Projects	30,000	65,000	24,858	40,142
Books:				
Hardbound/Trade	372,100	365,492	336,745	28,747
Paperback	9,600	9,600	5,662	3,938
Reference	2,900	2,900	1,764	1,136
Periodicals	22,200	22,500	22,343	157
Audio-visual	196,000	196,000	190,822	5,178
Online resources	488,000	490,000	487,422	2,578
Electronic software	45,000	45,000	44,840	160
Building repairs and maintenance	125,000	125,000	120,121	4,879
Computer supplies	50,000	50,000	41,699	8,301
Branch furniture and fixtures	25,000	23,500	18,838	4,662
Strategic Initiatives	5,000	-	-	-
Capital outlay:				
Computers/Software	62,000	62,000	61,773	227
Equipment	250,000	125,000	114,360	10,640
Buildings	238,000	88,000	73,680	14,320
<b>Total Expenditures</b>	<b>8,752,690</b>	<b>8,575,620</b>	<b>8,198,010</b>	<b>377,610</b>
<b>Net Change in Fund Balances</b>	<b>250,249</b>	<b>628,273</b>	<b>841,389</b>	<b>213,116</b>
<b>Fund Balance, beginning of year</b>	<b>4,581,889</b>	<b>4,581,889</b>	<b>4,581,889</b>	<b>-</b>
<b>Fund Balance, end of year</b>	<b>\$ 4,832,138</b>	<b>\$ 5,210,162</b>	<b>\$ 5,423,278</b>	<b>\$ 213,116</b>

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Total Pension Liability</b>					
Service Cost	\$ 175,359	\$ 149,044	\$ 142,933	\$ 147,671	\$ 154,801
Interest	522,380	569,594	604,426	636,562	657,838
Changes of Benefit Terms	-	-	-	-	-
Difference between expected and actual experience	-	(122,945)	63,294	(72,665)	(49,948)
Changes of assumptions	-	461,040	-	-	-
Benefit payments including employee refunds	(303,144)	(330,200)	(368,594)	(414,894)	(454,142)
Other	6,514	(53,125)	(19,583)	(14,658)	(73,804)
<b>Net Change in Total Pension Liability</b>	<u>401,109</u>	<u>673,408</u>	<u>422,476</u>	<u>282,016</u>	<u>234,745</u>
<b>Total Pension Liability beginning</b>	<u>6,593,641</u>	<u>6,994,750</u>	<u>7,668,158</u>	<u>8,090,634</u>	<u>8,372,650</u>
<b>Total Pension Liability ending</b>	<u>\$6,994,750</u>	<u>\$ 7,668,158</u>	<u>\$8,090,634</u>	<u>\$8,372,650</u>	<u>\$ 8,607,395</u>
 <b>Plan Fiduciary Net Position</b>					
Contributions-employer	\$ 110,088	\$ 136,064	\$ 859,355	\$ 150,438	\$ 154,975
Contributions-employee	55,936	46,145	40,280	36,549	31,738
Net Investment income	(92,710)	674,229	925,106	(305,329)	990,008
Benefit payments including employee refunds	(303,144)	(330,200)	(368,594)	(414,894)	(454,142)
Administrative expense	(13,534)	(13,309)	(14,570)	(15,231)	(17,059)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>(243,364)</u>	<u>512,929</u>	<u>1,441,577</u>	<u>(548,467)</u>	<u>705,520</u>
<b>Plan Fiduciary Net Position beginning</b>	<u>6,190,855</u>	<u>5,947,490</u>	<u>6,460,419</u>	<u>7,901,996</u>	<u>7,353,529</u>
<b>Plan Fiduciary Net Position ending</b>	<u>\$5,947,491</u>	<u>\$ 6,460,419</u>	<u>\$7,901,996</u>	<u>\$7,353,529</u>	<u>\$ 8,059,049</u>
 <b>Employer Net Pension Liability</b>	<u>\$1,047,259</u>	<u>\$ 1,207,739</u>	<u>\$ 188,638</u>	<u>\$1,019,121</u>	<u>\$ 548,346</u>
 <b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	85%	84%	98%	88%	94%
 <b>Covered Employee Payroll (from GASB 68 actuarial page)</b>	\$1,789,781	\$ 1,582,579	\$1,628,733	\$1,892,439	\$ 2,198,622
<b>Employer's Net Pension Liability as a percentage of covered employee payroll</b>	59%	76%	12%	54%	25%

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarial Determined Contributions	\$ 110,088	\$ 136,064	\$ 131,309	\$ 150,438	\$ 154,974
Contributions in relation to the actuarially determined contribution	<u>110,088</u>	<u>136,064</u>	<u>859,355</u>	<u>150,438</u>	<u>154,974</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (728,046)</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered Employee Payroll	 \$ 1,789,781	 \$ 1,582,579	 \$ 1,628,733	 \$ 1,892,439	 \$ 2,198,622
 Contributions as a percentage of covered employee payroll	 6%	 9%	 53%	 8%	 7%

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

	<u>2018</u>	<u>2019</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 7,869	\$ 8,348
Interest	108,679	111,862
Net difference between projected and actual earnings	-	(262,731)
Changes in assumptions	-	(177,167)
Benefit payments including employee refunds	(83,407)	(67,963)
<b>Net Change in Total OPEB Liability</b>	<u>33,141</u>	<u>(387,651)</u>
<b>Total OPEB Liability beginning</b>	1,440,219	1,473,360
<b>Total OPEB Liability ending</b>	<u>\$ 1,473,360</u>	<u>\$ 1,085,709</u>
 <b>Plan Fiduciary Net Position</b>		
Contributions-employer	\$ 325,207	\$ 330,163
Contributions-employee	5,315	6,158
Projected earnings on fiduciary net position	47,642	63,249
Difference between projected and actual earnings	(106,655)	42,078
Benefit payments including employee refunds	(88,721)	(74,121)
Administrative expense	(1,612)	(1,540)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>181,176</u>	<u>365,987</u>
<b>Plan Fiduciary Net Position beginning</b>	504,609	685,785
<b>Plan Fiduciary Net Position ending</b>	<u>\$ 685,785</u>	<u>\$ 1,051,772</u>
 <b>Employer Net OPEB Liability</b>	 <u>\$ 787,575</u>	 <u>\$ 33,937</u>
 <b>Plan Fiduciary Net Position as a percentage of the Total OPEB Liability</b>	 47%	 97%
 <b>Covered Employee Payroll</b>	 \$ 874,679	 \$ 874,679
<b>Employer's Net OPEB Liability as a percentage of covered employee payroll</b>	90%	4%

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

	<b>2018</b>	<b>2019</b>
Actuarial Determined Contributions	\$ 82,671	\$ 71,072
Contributions in relation to the actuarially determined contribution	325,207	330,163
Contribution deficiency (excess)	\$ (242,536)	\$ (259,091)
 Covered Employee Payroll	 874,679	 653,827
 Contributions as a percentage of covered employee payroll	 37%	 50%
 Discount rate used for liability determination	 7.75%	 7.75%
Salary Scale	3.00%	3.00%
Long-Term expected rate of return on MERS RHFV	7.75%	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, 2019**

EXPENSES:

Salaries and wages	\$	3,929,767
Board per diem		2,760
Social security		287,049
Retirement		343,527
Health insurance		462,358
Life insurance		5,549
Unemployment		3,122
Director's conferences		3,926
Postage		21,168
Office supplies		24,727
Printing/promotions/publicity		121,860
Technical processing supplies		16,336
Contracted services:		
Professional		122,104
Office equipment		48,807
Building/grounds		247,292
Software/upgrades		68,479
Other		72,494
Online computer library catalog		38,500
Shared computerization agreement		65,678
Building and maintenance supply		33,983
Gifts and memorial materials		5,343
Staff development		38,916
Indirect State aid		64,221
Professional memberships and dues		11,301
Interloan		1,932
Telephone		58,418
Internet access lines		7,278
Transportation-Fuel		7,666
Mileage reimbursement		22,641
Library programs:		
Adult and family programs		40,153
Community engagement programs		51,414
Youth service programs		11,194
Summer reading program		49,638
Bindery		1,782
Insurance and bonds		44,217
Utilities		140,645
Vehicle repairs and maintenance		4,911
Subtotal		6,481,156

**JACKSON DISTRICT LIBRARY**  
**STATEMENT OF ACTIVITIES - DETAIL**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

EXPENSES: (Continued)	
Miscellaneous	11,850
Staff recognition	15,423
Property tax refunds	7,328
Grant projects	24,858
Paperback books	5,662
Reference materials	1,764
Periodicals	22,343
Online resources	194,593
Electronic software	44,840
Building repairs and maintenance	120,121
Computer supplies	41,699
Branch furniture and fixtures	18,838
Depreciation	942,578
Total expenditures	<u>7,933,053</u>
REVENUE:	
Property taxes	7,956,493
State shared revenues	128,443
Coop reimbursement	35,086
Fines and fees	45,337
Copier fees	37,055
Penal fines	503,703
Investment income	62,295
Contributions and grants	144,473
USF Phone refunds	3,114
Shared services	62,922
Contractual-Financial stability coordinator	49,485
Other revenues	10,993
Total revenues	<u>9,039,399</u>
Excess of Revenues Over (Under) Expenditures	1,106,346
Net Position - Beginning	<u>8,338,613</u>
Net Position - Ending	<u><u>\$ 9,444,959</u></u>

# MARKOWSKI & COMPANY

## CERTIFIED PUBLIC ACCOUNTANTS

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RANDALL D. BIDDIX, C.P.A.

**FOUNDING PARTNER:**

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

**MEMBERS:**

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

AICPA GOVERNMENTAL AUDIT  
QUALITY CENTER

Board of Trustees  
Jackson District Library  
Jackson County, Michigan

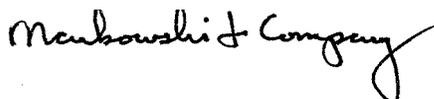
In planning and performing our audit of the financial statements of the governmental activities of the **Jackson District Library** as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Jackson District 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  
June 1, 2020

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 2019 – 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.

# MARKOWSKI & COMPANY

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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, 2019 and have issued our report thereon dated June 1, 2020. 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 February 24, 2020, 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 2019. 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 June 1, 2020.

### **Management Consultations with Other Independent Accountants**

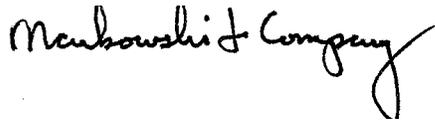
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination 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,

A handwritten signature in black ink that reads "Markowski & Company". The signature is written in a cursive, flowing style.

MARKOWSKI & COMPANY, CPAs  
June 1, 2020