

**JACKSON DISTRICT LIBRARY**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

**JACKSON DISTRICT LIBRARY  
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# MARKOWSKI & COMPANY

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### INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Jackson District Library  
Jackson, Michigan

We have audited the accompanying financial statements of the governmental activities of the *Jackson District Library, Jackson, Michigan*, as of and for the year ended December 31, 2020, 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, 2020, 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.

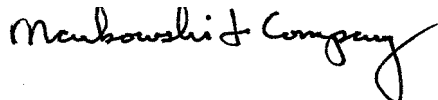
***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 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  
May 7, 2021

## 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, 2020.

### **Financial Highlights**

- The Library assets and deferred outflows of resources at the close of December 31, 2020, exceeded its liabilities and deferred inflows of resources by \$11,590,173 (net position). Of this amount, unrestricted net position of \$5,822,547 may be used to meet the Library's ongoing obligations.
- The total net position of the Library increased by \$2,145,214 during the year.
- At the close of the current fiscal year, the Library's governmental fund reported a combined ending fund balance of \$6,971,820, an increase of \$1,548,542. Approximately 98%, or \$6,846,298 of the fund balance is available for spending at the Library's discretion. Of this amount, 7%, 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, 2020 and 2019:

	Governmental Activities	
	2020	2019
Assets	\$ 21,373,520	\$ 19,208,614
Deferred Outflows of Resources	309,981	192,332
Liabilities	932,000	1,231,484
Deferred Inflows of Resources	9,161,328	8,724,503
Net Position		
Invested in Capital Assets, net	5,760,626	5,314,349
Restricted	7,000	86,284
Unrestricted	5,822,547	4,044,326
Total Net Position	\$ 11,590,173	\$ 9,444,959
Revenues		
Property taxes	\$ 8,262,392	\$ 7,956,493
State shared revenues	128,293	128,443
Charges for services	151,493	180,400
Penal fines	442,699	503,703
Investment income	85,725	62,295
Contributions and grants	448,560	193,958
USF phone refunds	-	3,114
Other refunds	6,338	10,993
Total revenues	\$ 9,525,500	\$ 9,039,399
Expenditures		
Culture and recreation	7,380,286	7,933,053
Change in Net Position	\$ 2,145,214	\$ 1,106,346

## **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 \$11,590,173 and total net position increased by \$2,145,214 during the year.

### **General Fund Budgetary Highlights**

The original budget adopted by the Library included using fund balance for major improvements to the Brooklyn Branch building. With Covid those expenditures were delayed, and the budget was amended for the delay. The original budget expected a decrease in fund balance by \$1,091,894.

The budget was amended to deal with the global pandemic and changes in the way the Library provides services to residents. The budget was amended to show a surplus of \$771,367.

Actual revenues were consistent with budgeted amounts. Expenditures were lower than the final budget by 9%.

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

The Library's investment in capital assets as of December 31, 2020, amounted to \$5,760,626 (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:

- \$155,502 was invested in improvements to Library branch buildings.
- \$881,352 was invested in books and related Library materials.
- \$89,692 was invested in computers and related software.
- \$145,864 was invested in Library equipment.
- \$124,401 in the Brooklyn Branch remodel.

## Management's Discussion and Analysis

### 2020 Highlights

As with the rest of the world, 2020 brought significant changes in how we were able to deliver library service to the community of Jackson. After closing to the public on March 15<sup>th</sup>, the staff worked to provide library cards and access to our digital collections and learned new ways to communicate remotely. WIFI remained available to the public outside all of our locations. Our marketing efforts through social media and with community partners who were working to connect people to resources became our main communication tools with the community. Beginning June 15, the library collections became available again through JDL Take-out. As the year progressed most branches were able to reopen with limited hours for computer usage. Library programming was offered virtually for all ages as staff has learned new skills and engaged with presenters from around the country.

In 2020 Jackson County residents checked out over 1 million items in print and digital formats. Our digital circulation increased by 13%. Staff developed an outreach mail delivery program to get materials out to the patrons who may not be able to get to a library location and our youth staff mailed books and activities to children and teens. Usage of the library's public computers and wireless connection continues to support the community and the circulating internet hotspot collection is never on the shelf.

As programming became virtual for most of 2020, staff was still able to reach 27,000 people who participated in 809 programs such as author visits, cooking classes, storytime, cos-play costume classes and more. Annual events such as summer reading, Storyfest and the Young Poets contest continued, also being held virtually. The library hosted Dr. Mona Hanna-Attisha, the MI Humanities Great Michigan Reads author during a series of programs that focused on the safety of the water supply.

The Carnegie youth room was renovated for the first time since the early 1980's and included the installation of a HVAC system to this busy space. The library worked on the design of a new bookmobile to be launched in 2021 and developed a plan to expand and renovate the Brooklyn branch. That construction began the end of 2020 to be completed by summer 2021 using the interior design plan developed for future building and refresh projects.



## **Management's Discussion and Analysis**

### **Budget Priorities for 2021**

As this audit is being prepared, the library is just expanding services to allow browsing of the collections and will continue to expand services with the goal of returning to regular library service later in 2021. The library is taking this opportunity to evaluate how some services are offered based on the Strategic Plan developed for 2021-2022. While property tax revenue has still been strong, we will monitor any long-term effects of the pandemic to our property tax revenue.

The Bookmobile is in production and should be completed mid 2021 after COVID and other production delays. The Brooklyn Branch expansion and renovation will be complete by mid-summer and the staff and community are getting excited for how the library will be better able to service the community. The staff is working on plans at many locations to evaluate the facilities and develop plans for refreshes or renovations in the next few years. At the Carnegie Library, built in 1906, plans are being made to assess the exterior of the building and complete a maintenance and cleaning project to allow the building to stand for many more years.

### **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, 2020

	<u>GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 7,089,702
Accounts receivable:	
Penal fines	30,106
Other	31,086
Property taxes receivable	8,462,000
Capital assets, net	<u>5,760,626</u>
Total assets	<u>21,373,520</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred pension amounts	199,913
Deferred OPEB amounts	<u>110,068</u>
Total deferred outflows of resources	<u>309,981</u>
<b>LIABILITIES:</b>	
Accounts payable	50,319
Accrued liabilities	26,640
Accrued payroll	<u>102,115</u>
Total current liabilities	<u>179,074</u>
Noncurrent liabilities:	
Compensated absences	434,571
Net pension liability	310,195
Net other post employment benefit payable (OPEB)	<u>8,160</u>
Total long-term liabilities	<u>752,926</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Deferred pension amounts	369,156
Deferred OPEB amounts	330,172
Property taxes	<u>8,462,000</u>
Total deferred inflows of resources	<u>9,161,328</u>
Total liabilities and deferred inflows of resources	<u>10,093,328</u>
<b>NET POSITION:</b>	
Invested in capital assets, net of related debt	5,760,626
Restricted	7,000
Unrestricted	<u>5,822,547</u>
Total net position	<u><u>\$ 11,590,173</u></u>

See accompanying notes.

**JACKSON DISTRICT LIBRARY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

FUNCTION/PROGRAMS	PROGRAM REVENUES			GOVERNMENTAL	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	ACTIVITIES NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
General government	\$ 7,380,286	\$ 151,493	\$ 263,912	\$ 184,648	\$ (6,780,233)
GENERAL REVENUES:					
Property taxes					8,262,392
State shared revenues					128,293
Penal fines					442,699
Investment income					85,725
Other revenues					6,338
Total general revenues					<u>8,925,447</u>
Change in net position					2,145,214
Net position - beginning of year					<u>9,444,959</u>
Net position - end of year					<u>\$ 11,590,173</u>

See accompanying notes.

**JACKSON DISTRICT LIBRARY**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**DECEMBER 31, 2020**

	GOVERNMENTAL FUND
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 7,089,702
Accounts receivable:	
Penal fines	30,106
Other	31,086
Property taxes receivable	8,462,000
 Total assets	 \$ 15,612,894
 <b>LIABILITIES:</b>	
Accounts payable	\$ 50,319
Accrued liabilities	26,640
Accrued payroll	102,115
Total liabilities	179,074
 <b>DEFERRED INFLOWS OF RESOURCES:</b>	
Property taxes	8,462,000
 <b>FUND BALANCES:</b>	
Restricted	125,522
Assigned	500,000
Unassigned	6,346,298
Total fund balance	6,971,820
 Total liabilities, deferred inflows of resources and fund balance	 \$ 15,612,894

See accompanying notes.

**JACKSON DISTRICT LIBRARY**  
**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2020**

TOTAL FUND BALANCE - GOVERNMENTAL FUND \$ 6,971,820

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. 5,760,626

Compensated absences are long-term liabilities are not due and payable in the current period and therefore are not reported in governmental funds. (434,571)

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. (228,264)

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. (479,438)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 11,590,173

See accompanying notes.

**JACKSON DISTRICT LIBRARY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	GOVERNMENTAL FUND
<b>REVENUES</b>	
Property taxes	\$ 8,262,392
State shared revenues	128,293
Coop reimbursement	36,729
Fines and fees	12,937
Copier fees	14,922
Penal fines	442,699
Investment income	85,725
Contributions and grants	448,560
Contracted services	86,905
Other revenues	6,338
Total revenues	9,525,500
 <b>EXPENDITURES</b>	
Culture and recreation	7,976,958
 <b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	1,548,542
 <b>FUND BALANCES, BEGINNING OF YEAR</b>	5,423,278
 <b>FUND BALANCES, END OF YEAR</b>	\$ 6,971,820

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, 2020**

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENT FUND \$ 1,548,542

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 1,396,811

Depreciation expense (950,534)

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. (71,357)

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. 127,959

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. 93,793

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,145,214

See accompanying notes.



**JACKSON DISTRICT LIBRARY**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**DECEMBER 31, 2020**

	<u>OTHER EMPLOYEE BENEFIT TRUST FUND</u>
<b>ASSETS</b>	
Investments	\$ 1,124,097
<b>NET POSITION</b>	
Held in trust for other post employment benefits	<u><u>\$ 1,124,097</u></u>

See accompanying notes.

**JACKSON DISTRICT LIBRARY**  
**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	OTHER EMPLOYEE BENEFIT TRUST FUND
OPERATING REVENUE:	
Employer contributions	\$ 68,567
OPERATING EXPENSES:	
Net benefits paid by employer	123,267
Administrative expenses	1,787
Total operating expenses	125,054
Operating loss	(56,487)
NONOPERATING REVENUE (EXPENSES)	
Investment (loss)	128,812
Change in net position	72,325
NET POSITION - BEGINNING OF YEAR	1,051,772
NET POSITION - END OF YEAR	\$ 1,124,097

See accompanying notes.

**NOTES TO FINANCIAL STATEMENTS**

**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.

Additionally, the Library reports the following:

**Fiduciary Fund**

The Fiduciary Fund is used to account for the Library's single employer, defined benefit other post-employment benefit plan. The plan accumulates resources for other post-employment benefit payments to qualified Library retirees. The funds are based on the Plans' December 31 fiscal year end.

**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.

**JACKSON DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**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.)

**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.

**Other Postemployment Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments 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.

**JACKSON DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

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

**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.

**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.

**F: ADOPTION OF NEW ACCOUNTING STANDARDS**

Statement No. 84, *Fiduciary Activities* requires the governmental entity to focus on whether the entity is controlling the assets of the fiduciary activity and the beneficiaries with whom the relationship exists and requires the entity to consider if it should be reported in a governmental fund or one of the four fiduciary fund types (pension and employee benefit trust funds, investment trust funds, private-purpose trust funds, and custodial funds). The requirement of this statement is effective for the fiscal year ending December 31, 2020.

**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:

**JACKSON DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

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

- (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.
- (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	\$ 2,180
Insured (FDIC)	7,087,522
Uninsured	-
	<hr/>
Total cash and cash equivalents	<u><u>\$ 7,089,702</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 AND INVESTMENTS (Continued)**

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

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

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

**NOTE 4: PROPERTY TAXES**

Property tax revenues shown in the General Fund reflect the 2019 District levy of 1.7570 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 2019 levy covers the Library's fiscal year of January 1, 2020 to December 31, 2020. The 2019 tax levy became a lien on properties on December 1, 2019 and was substantially collected in early 2020. Taxes became delinquent on March 1, 2020. 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, 2020, for the 2021 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	1,232,154	279,903	-	1,512,057
Books	1,951,672	278,268	335,069	1,894,871
E-Books	867,857	487,788	135,427	1,220,218
Audio Visual	875,445	115,296	275,375	715,366
Circulating Software	132,304	-	-	132,304
Computer Equipment	321,962	89,692	47,090	364,564
Equipment	646,530	145,864	-	792,394
Subtotal	<u>9,092,159</u>	<u>1,396,811</u>	<u>792,961</u>	<u>9,696,009</u>
Less Accumulated Depreciation for:				
Buildings	492,889	68,485	-	561,374
Building Improvements	433,542	65,390	-	498,932
Books	1,139,328	317,117	335,069	1,121,376
E-Books (Amortization)	403,778	188,920	135,427	457,271
Audio Visual	576,259	187,011	275,375	487,895
Circulating Software	103,572	21,644	-	125,216
Computer Equipment	231,423	52,731	47,090	237,064
Equipment	397,019	49,236	-	446,255
Subtotal	<u>3,777,810</u>	<u>950,534</u>	<u>792,961</u>	<u>3,935,383</u>
Net Capital Assets Being Depreciated	<u><b>\$ 5,314,349</b></u>	<u><b>\$ 446,277</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 5,760,626</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, 2020, 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	
	2019 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	
	2019 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, 2019 valuation date, the following employees were covered by the benefit terms:

Active employees	50
Vested former employees	6
Retirees and beneficiaries	<u>43</u>
	<u>99</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, 2020 were \$216,783.

**Net Pension Liability**

The employer's Net Pension Liability was measured as of December 31, 2020 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, 2019 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3.00%

Salary Increases: 3.00% in the long-term

Investment rate of return: 7.35%, net of investment expense, including inflation.

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.

**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 7.35%. 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 12/31/19</b>	\$ 8,607,395	\$ 8,059,052	\$ 548,343
<b>Changes for the Year</b>			
Service Cost	152,210	-	152,210
Interest on Total Pension Liability	619,967	-	619,967
Changes in benefits	-	-	-
Difference between expected and actual experience	(41,780)	-	(41,780)
Changes in assumptions	266,551	-	266,551
Employer Contributions	-	216,783	(216,783)
Employee Contributions	-	27,058	(27,058)
Net investment income	-	1,007,935	(1,007,935)
Benefit payments, including employee refunds	(497,155)	(497,155)	-
Administrative expense (negative number)	-	(16,079)	16,079
Other changes	601	-	601
<b>Net changes</b>	<u>500,394</u>	<u>738,542</u>	<u>(238,148)</u>
<b>Balances as of 12/31/20</b>	<u><u>\$ 9,107,789</u></u>	<u><u>\$ 8,797,594</u></u>	<u><u>\$ 310,195</u></u>

**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 7.60% as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.6%) or 1% higher (8.6%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Change in Net Pension Liability (NPL)	\$ 954,496		\$ 813,305

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, 2020 the employer recognized pension expense of \$122,989. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in experience	\$ -	\$ 74,478
Differences in assumptions	199,913	-
Excess (Deficit) Investment Returns	-	294,678
Total	<u><u>\$ 199,913</u></u>	<u><u>\$ 369,156</u></u>

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, 2020.

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

<u>Year Ended</u>	
2021	\$ (34,153)
2022	61,537
2023	(111,528)
2024	(85,099)
Total	<u><u>\$ (169,243)</u></u>

**JACKSON DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8: 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 donor imposed restrictions	<u>\$ 7,000</u>
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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
Encumbrances	<u>118,522</u>
Total restricted	<u>\$ 125,522</u>
 Assigned for:	
Technology	<u>\$ 500,000</u>

**NOTE 9: 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 10: 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, 2020, 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, 2019. 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 (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
<b>Balances at 12/31/19</b>	\$ 1,085,709	\$ 1,051,772	\$ 33,937
<b>Changes for the Year</b>			
Service Cost	6,396	-	6,396
Interest Cost	79,613	-	79,613
Projected Earnings on Fiduciary Net Position	-	79,324	(79,324)
Net Difference between projected and actual earnings	-	49,488	(49,488)
Changes in assumptions	83,806	-	83,806
Employer Contributions	-	68,567	(68,567)
Employee Contributions	-	-	-
Net Benefits Paid by Employer	(123,267)	(123,267)	-
Administrative expense	-	(1,787)	1,787
<b>Net changes</b>	<u>46,548</u>	<u>72,325</u>	<u>(25,777)</u>
<b>Balances as of 12/31/20</b>	<u>\$ 1,132,257</u>	<u>\$ 1,124,097</u>	<u>\$ 8,160</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 7.35% as well as what the employer's Net OPEB Liability would be using a discount rate that is 1 percentage point lower (6.35%) or 1% higher (8.35%) than the current rate.

	Current Discount		
	1% Decrease	Rate	1% Increase
Change in Net OPEB Liability (NOL)	\$ 110,922		\$ (62,461)



**JACKSON DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10: 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	\$ 42,662	\$ 64,836
Difference between expected and actual experience	-	158,473
Changes in assumptions	67,406	106,863
	<b>\$ 110,068</b>	<b>\$ 330,172</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)

2021	\$ (67,864)
2022	(67,864)
2023	(89,193)
2024	3,011
2025	1,806
	<b>\$ (220,104)</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 10: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**  
(Continued)

In the December 31, 2020 actuarial valuation, the actuarial assumptions include the following:

Discount rate used for liability determination	7.35%
Salary Scale	3.00%
Long-Term expected rate of return on MERS RHFV	7.35%

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 11: RETIREMENT HEALTH SAVINGS PLAN**

Plan Description – The Library provides retiree healthcare to eligible full-time employees through a Retirement Health Savings Plan. The plan provides a healthcare account for employees that is portable upon separation of employment from the Library with full vesting.

Funding Policy – The obligation to contribute and maintain the plan for the employees was established by a resolution of the Library’s Board and requires annual contributions from the Library.

**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, 2020**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
<b>Revenue</b>				
Property taxes	\$ 8,185,532	\$ 8,243,000	\$ 8,262,392	\$ 19,392
State shared revenues	128,000	128,293	128,293	-
Coop Reimbursement	31,000	31,000	36,729	5,729
Fines and fees	50,000	15,000	12,937	(2,063)
Copier fees	40,000	20,000	14,922	(5,078)
Penal fines	500,000	450,000	442,699	(7,301)
Investment income	50,000	70,000	85,725	15,725
Contributions and grants	71,000	460,000	448,560	(11,440)
USF Phone refunds	5,000	5,000	-	(5,000)
Contractual services	80,000	80,000	86,905	6,905
Other revenues	10,200	8,220	6,338	(1,882)
<b>Total Revenues</b>	<u>9,150,732</u>	<u>9,510,513</u>	<u>9,525,500</u>	<u>14,987</u>
<b>Expenditures</b>				
Salaries and wages	4,200,000	4,000,000	3,867,099	132,901
Board per diem	3,000	3,000	1,740	1,260
Social security	321,300	306,000	282,119	23,881
Retirement	250,000	250,000	245,025	4,975
Health insurance	489,000	540,000	492,755	47,245
Retiree health care	400,000	100,000	48,567	51,433
Life insurance	10,000	10,000	6,493	3,507
Unemployment	3,000	14,000	13,688	312
Director's conferences	6,000	3,000	2,965	35
Postage	25,000	50,000	27,570	22,430
Office supplies	25,000	25,000	23,622	1,378
Printing/promotions/publicity	120,000	120,000	119,434	566
Technical processing supplies	21,000	21,000	7,872	13,128
Contracted services:				
Professional	170,000	100,000	43,938	56,062
Office equipment	30,000	30,000	16,823	13,177
Building/grounds	190,000	190,000	175,413	14,587
Online computer library catalog	41,200	41,200	31,730	9,470
Software	70,000	74,000	77,081	(3,081)
Other	142,000	142,000	86,088	55,912
Rosebud maintenance agreement	71,026	72,000	71,226	774
Building and maintenance supply	30,000	58,000	56,438	1,562
Maintenance equipment	2,500	2,500	1,724	776
Gifts and memorial materials	20,000	20,000	975	19,025
Staff development	50,000	30,000	29,946	54
Indirect State aid	64,000	64,146	64,146	-
Professional memberships and dues	12,000	12,000	8,371	3,629
Subtotal	<u>6,766,026</u>	<u>6,277,846</u>	<u>5,802,848</u>	<u>474,998</u>

**JACKSON DISTRICT LIBRARY**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
Expenditures (Continued)	6,766,026	6,277,846	5,802,848	474,998
Interloan	2,000	2,000	1,617	383
Telephone	55,000	70,000	66,621	3,379
Internet access lines	10,000	10,000	7,278	2,722
Transportation-Fuel	15,000	15,000	3,805	11,195
Mileage reimbursement	20,000	20,000	7,821	12,179
Library programs:				
Adult and family programs	41,000	21,000	9,947	11,053
Community engagement programs	55,000	55,000	17,559	37,441
Youth service programs	18,000	18,000	14,719	3,281
Summer reading programs	41,000	41,000	14,601	26,399
Bindery	2,000	2,000	983	1,017
Insurance and bonds	45,000	45,000	53,714	(8,714)
Utilities	150,000	150,000	114,630	35,370
Vehicle repairs and maintenance	5,000	5,000	4,107	893
Miscellaneous	5,000	1,000	-	1,000
Staff recognition	10,000	12,300	11,957	343
Property tax refunds	15,000	15,000	11,835	3,165
Grant Projects	20,000	20,000	13,291	6,709
Books:				
Hardbound/Trade	418,600	335,000	278,268	56,732
Paperback	5,600	5,600	881	4,719
Reference	3,200	3,200	510	2,690
Periodicals	22,200	22,200	15,701	6,499
Audio-visual	176,000	176,000	115,296	60,704
Online resources	532,000	600,000	679,556	(79,556)
Electronic software	50,000	50,000	34,980	15,020
Building repairs and maintenance	125,000	125,000	84,546	40,454
Computer supplies	30,000	40,000	39,068	932
Branch furniture and fixtures	25,000	86,000	55,360	30,640
Strategic Initiatives	5,000	-	-	-
Capital outlay:				
Computers/Software	90,000	90,000	89,692	308
Furniture and equipment	25,000	146,000	145,864	136
Buildings	1,460,000	280,000	279,903	97
<b>Total Expenditures</b>	<b>10,242,626</b>	<b>8,739,146</b>	<b>7,976,958</b>	<b>762,188</b>
<b>Net Change in Fund Balances</b>	<b>(1,091,894)</b>	<b>771,367</b>	<b>1,548,542</b>	<b>777,175</b>
<b>Fund Balance, beginning of year</b>	<b>5,423,278</b>	<b>5,423,278</b>	<b>5,423,278</b>	<b>-</b>
<b>Fund Balance, end of year</b>	<b>\$ 4,331,384</b>	<b>\$ 6,194,645</b>	<b>\$ 6,971,820</b>	<b>\$ 777,175</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>	<u>2020</u>
<b>Total Pension Liability</b>						
Service Cost	\$ 175,359	\$ 149,044	\$ 142,933	\$ 147,671	\$ 154,801	\$ 152,210
Interest	522,380	569,594	604,426	636,562	657,838	619,967
Changes of Benefit Terms	-	-	-	-	-	-
Difference between expected and actual experience	-	(122,945)	63,294	(72,665)	(49,948)	(41,780)
Changes of assumptions	-	461,040	-	-	-	266,551
Benefit payments including employee refunds	(303,144)	(330,200)	(368,594)	(414,894)	(454,142)	(497,155)
Other	6,514	(53,125)	(19,583)	(14,658)	(73,804)	601
<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>	<u>500,394</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>	<u>8,607,395</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>	<u>\$ 9,107,789</u>
<b>Plan Fiduciary Net Position</b>						
Contributions-employer	\$ 110,088	\$ 136,064	\$ 859,355	\$ 150,438	\$ 154,975	\$ 216,783
Contributions-employee	55,936	46,145	40,280	36,549	31,738	27,058
Net Investment income	(92,710)	674,229	925,106	(305,329)	990,008	1,007,935
Benefit payments including employee refunds	(303,144)	(330,200)	(368,594)	(414,894)	(454,142)	(497,155)
Administrative expense	(13,534)	(13,309)	(14,570)	(15,231)	(17,059)	(16,079)
<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>	<u>738,542</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>	<u>8,059,052</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>	<u>\$ 8,797,594</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>	<u>\$ 310,195</u>
<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	85%	84%	98%	88%	94%	97%
<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	\$ 2,422,862
<b>Employer's Net Pension Liability as a percentage of covered employee payroll</b>	59%	76%	12%	54%	25%	13%

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>	<u>2020</u>
Actuarial Determined Contributions	\$ 110,088	\$ 136,064	\$ 131,309	\$ 150,438	\$ 154,974	\$ 216,783
Contributions in relation to the actuarially determined contribution	110,088	136,064	859,355	150,438	154,974	216,783
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (728,046)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 1,789,781	\$ 1,582,579	\$ 1,628,733	\$ 1,892,439	\$ 2,198,622	\$ 2,422,862
Contributions as a percentage of covered employee payroll	6%	9%	53%	8%	7%	9%

Notes to Schedule	
Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	5 year smoothed
Inflation	3.0%
Salary Increases	3.0%
Investment rate of return	7.35%
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>	<u>2020</u>
<b>Total OPEB Liability</b>			
Service cost	\$ 7,869	\$ 8,348	\$ 6,396
Interest	108,679	111,862	79,613
Net difference between projected and actual earnings	-	(262,731)	-
Changes in assumptions	-	(177,167)	83,806
Benefit payments including employee refunds	(83,407)	(67,963)	(123,267)
<b>Net Change in Total OPEB Liability</b>	<u>33,141</u>	<u>(387,651)</u>	<u>46,548</u>
<b>Total OPEB Liability beginning</b>	<u>1,440,219</u>	<u>1,473,360</u>	<u>1,085,709</u>
<b>Total OPEB Liability ending</b>	<u><u>\$ 1,473,360</u></u>	<u><u>\$ 1,085,709</u></u>	<u><u>\$ 1,132,257</u></u>
 <b>Plan Fiduciary Net Position</b>			
Contributions-employer	\$ 325,207	\$ 330,163	\$ 68,567
Contributions-employee	5,315	6,158	-
Projected earnings on fiduciary net position	47,642	63,249	79,324
Difference between projected and actual earnings	(106,655)	42,078	49,488
Benefit payments including employee refunds	(88,721)	(74,121)	(123,267)
Administrative expense	(1,612)	(1,540)	(1,787)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>181,176</u>	<u>365,987</u>	<u>72,325</u>
<b>Plan Fiduciary Net Position beginning</b>	<u>504,609</u>	<u>685,785</u>	<u>1,051,772</u>
<b>Plan Fiduciary Net Position ending</b>	<u><u>\$ 685,785</u></u>	<u><u>\$ 1,051,772</u></u>	<u><u>\$ 1,124,097</u></u>
 <b>Employer Net OPEB Liability</b>	 <u><u>\$ 787,575</u></u>	 <u><u>\$ 33,937</u></u>	 <u><u>\$ 8,160</u></u>
 <b>Plan Fiduciary Net Position as a percentage of the Total OPEB Liability</b>	 47%	 97%	 99%
 <b>Covered Employee Payroll</b>	 \$ 874,679	 \$ 653,827	 \$ 316,747
<b>Employer's Net OPEB Liability as a percentage of covered employee payroll</b>	90%	5%	3%

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarial Determined Contributions	\$ 82,671	\$ 85,152	\$ 11,128
Contributions in relation to the actuarially determined contribution	325,207	330,163	68,567
Contribution deficiency (excess)	<u>\$ (242,536)</u>	<u>\$ (245,011)</u>	<u>\$ (57,439)</u>
 Covered Employee Payroll	 874,679	 653,827	 316,747
 Contributions as a percentage of covered employee payroll	 37%	 50%	 22%
 Discount rate used for liability determination	 7.75%	 7.75%	 7.35%
Salary Scale	3.00%	3.00%	3.00%
Long-Term expected rate of return on MERS RHFV	7.75%	7.75%	7.35%

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, 2020**

**EXPENSES:**

Salaries and wages	\$ 3,938,456
Board per diem	1,740
Social security	282,119
Retirement	151,232
Health insurance	413,363
Life insurance	6,493
Unemployment	13,688
Director's conferences	2,965
Postage	27,570
Office supplies	23,622
Printing/promotions/publicity	119,434
Technical processing supplies	7,872
Contracted services:	
Professional	43,938
Office equipment	16,823
Building/grounds	175,413
Software/upgrades	77,081
Other	86,088
Online computer library catalog	31,730
Rosebud maintenance agreement	71,226
Building and maintenance supply	56,438
Maintenance equipment	1,724
Gifts and memorial materials	975
Staff development	29,946
Indirect State aid	64,146
Professional memberships and dues	8,371
Interloan	1,617
Telephone	66,621
Internet access lines	7,278
Transportation-Fuel	3,805
Mileage reimbursement	7,821
Library programs:	
Adult and family programs	9,947
Community engagement programs	17,559
Youth service programs	14,719
Summer reading program	14,601
Bindery	983
Insurance and bonds	53,714
Utilities	114,630
Vehicle repairs and maintenance	4,107
Subtotal	5,969,855

**JACKSON DISTRICT LIBRARY**  
**STATEMENT OF ACTIVITIES - DETAIL**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

EXPENSES: (Continued)	
Staff recognition	11,957
Property tax refunds	11,835
Grant projects	13,291
Paperback books	881
Reference materials	510
Periodicals	15,701
Online resources	191,768
Electronic software	34,980
Building repairs and maintenance	84,546
Computer supplies	39,068
Branch furniture and fixtures	55,360
Depreciation	950,534
Total expenditures	<u>7,380,286</u>
REVENUE:	
Property taxes	8,262,392
State shared revenues	128,293
Coop reimbursement	36,729
Fines and fees	12,937
Copier fees	14,922
Penal fines	442,699
Investment income	85,725
Contributions and grants	448,560
Contractual services	86,905
Other revenues	6,338
Total revenues	<u>9,525,500</u>
Excess of Revenues Over (Under) Expenditures	2,145,214
Net Position - Beginning	<u>9,444,959</u>
Net Position - Ending	<u><u>\$ 11,590,173</u></u>

# MARKOWSKI & COMPANY

## CERTIFIED PUBLIC ACCOUNTANTS

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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, 2020 and have issued our report thereon dated May 7, 2021. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated April 19, 2021. Professional standards also require that we communication to you the following information related to our audit.

### **Significant Audit Matters**

#### **Qualitative Aspects of Accounting Practices**

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 the footnotes to the financial statements. The Library has adopted the following Governmental Accounting Standards Board Statements effective December 31, 2020:

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

Statement No. 92, *Omnibus 2020* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements.

We noted no transactions entered into by the Library during the year for which there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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. 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.
- Depreciable lives of the capital assets.
- Net pension liability, and related deferred outflows/inflows of resources. The estimate is based on an actuarial report.
- Other post-employment benefits, and related deferred outflows/inflows of resources. The estimate is based on an actuarial report.

We evaluated the key factors and assumption used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole and free from bias.

### **Difficulties Encountered in Performing the Audit**

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

### **Corrected and Uncorrected Misstatements**

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

### **Disagreements with Management**

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

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated May 7, 2021.

### **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.

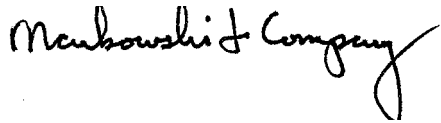
### **Other Audit Findings or Issues**

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.

### **Restriction on Use**

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 cursive script that reads "Markowski & Company". The signature is written in black ink and is positioned above the printed name of the firm.

MARKOWSKI & COMPANY, CPAs  
May 7, 2021