

Ann Arbor District  
Library



Year Ended  
June 30, 2018

Financial  
Statements

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# ANN ARBOR DISTRICT LIBRARY

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## INDEPENDENT AUDITORS' REPORT

November 9, 2018

Board of Trustees  
Ann Arbor District Library  
Ann Arbor, Michigan

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *Ann Arbor District Library* (the "Library"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Independent Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Library'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 Library'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.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Ann Arbor District Library, as of June 30, 2018, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Implementation of GASB Statement No. 75*

As described in note 12, the Library implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. Accordingly, beginning net position of governmental activities was restated. Our opinion is not modified with respect to this matter.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules for the pension and other postemployment benefit plans, as listed in the table of contents, 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*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

*Rehmann Lohman LLC*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

# ANN ARBOR DISTRICT LIBRARY

## Management's Discussion and Analysis

As management of the Ann Arbor District Library (the "Library"), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year that ended June 30, 2018.

### Financial Highlights

|   |              |
|---|--------------|
| · Total net position                          | \$31,431,580 |
| · Change in total net position                | 1,642,911    |
| · Fund balances, governmental funds           | 8,328,266    |
| · Change in fund balances, governmental funds | 1,621,641    |
| · Unassigned fund balance, general fund       | 5,833,498    |
| · Change in fund balance, general fund        | 1,238,888    |

### Overview of the Financial Statements

This discussion and analysis is intended to provide a basis of understanding the Library's basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances, in a manner similar to the private business sector.

The *statement of net position* presents information on all of the Library's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to 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 (e.g., earned but unused vacation leave).

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund level financial statements are designed to provide readers information on how the Library has complied with finance-related legal requirements.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

# ANN ARBOR DISTRICT LIBRARY

## Management's Discussion and Analysis

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found after the basic financial statement section of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis and the schedules for the MPERS pension and OPEB plan immediately following the notes to the financial statements. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the pension and OPEB schedules.

### Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Library, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$31,431,580 at the close of the most recent fiscal year.

|                                | Net Position               |                            |
|--------------------------------|----------------------------|----------------------------|
|                                | Governmental Activities    |                            |
|                                | 2018                       | 2017                       |
| Current and other assets       | \$ 8,842,724               | \$ 7,139,391               |
| Capital assets, net            | <u>26,010,527</u>          | <u>26,111,358</u>          |
| <b>Total assets</b>            | <b><u>34,853,251</u></b>   | <b><u>33,250,749</u></b>   |
| Deferred outflows of resources | <u>487,893</u>             | <u>227,294</u>             |
| Current and other liabilities  | 3,200,563                  | 2,356,448                  |
| Long-term debt                 | <u>379,907</u>             | <u>403,512</u>             |
| <b>Total liabilities</b>       | <b><u>3,580,470</u></b>    | <b><u>2,759,960</u></b>    |
| Deferred inflows of resources  | <u>329,094</u>             | <u>157,404</u>             |
| Net position:                  |                            |                            |
| Investment in capital assets   | 26,010,527                 | 26,111,358                 |
| Restricted                     | 365,532                    | 364,712                    |
| Unrestricted                   | <u>5,055,521</u>           | <u>4,084,609</u>           |
| <b>Total net position</b>      | <b><u>\$31,431,580</u></b> | <b><u>\$30,560,679</u></b> |

# ANN ARBOR DISTRICT LIBRARY

## Management's Discussion and Analysis

|                                    | Change in Net Position  |                     |
|------------------------------------|-------------------------|---------------------|
|                                    | Governmental Activities |                     |
|                                    | 2018                    | 2017                |
| Revenues                           |                         |                     |
| Program revenues:                  |                         |                     |
| Charges for services               | \$ 519,819              | \$ 607,516          |
| Operating grants and contributions | 134,808                 | 259,972             |
| General revenues:                  |                         |                     |
| Property taxes                     | 15,613,343              | 15,133,669          |
| Unrestricted state revenue         | 204,694                 | 96,228              |
| Unrestricted investment earnings   | 40,035                  | 799                 |
| <b>Total revenues</b>              | <b>16,512,699</b>       | <b>16,098,184</b>   |
| Expenses                           |                         |                     |
| Library services                   | 14,869,788              | 14,813,945          |
| <b>Change in net position</b>      | <b>1,642,911</b>        | <b>1,284,239</b>    |
| Net position:                      |                         |                     |
| Beginning of year                  | 30,560,679              | 29,276,440          |
| Restatement for GASB 75            | (772,010)               | -                   |
| <b>End of year</b>                 | <b>\$31,431,580</b>     | <b>\$30,560,679</b> |

As noted earlier, the Library increased net position during the year ended June 30, 2018 by \$1,642,911. As the Library's primary operating fund, the operations of the general fund have the most significant impact on the change in net position. As discussed below, the general fund had an increase in fund balance of \$1,238,888 during the year. In addition, at the fund level, capital outlay is an expenditure, but in the government-wide reporting model, this capital addition is added into capital assets. Also, at the government-wide level, depreciation is an expense. For the year ended June 30, 2018, depreciation expense and losses on the disposal of capital assets exceeded capital asset purchases by \$100,831.

### Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Library's governmental funds reported combined ending fund balances of \$8,328,266, an increase of \$1,621,641 in comparison with the prior year. Approximately 70% of this total amount (\$5.8 million) constitutes unassigned fund balance, which is available for spending at the Library's discretion.

# ANN ARBOR DISTRICT LIBRARY

## Management's Discussion and Analysis

The general fund is the chief operating fund of the Library. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,833,498 while total fund balance was \$6,575,909. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance each represent approximately 38% and 43% of total general fund expenditures and transfers out, respectively.

The fund balance of the Library's general fund increased by \$1,238,888, during the current fiscal year. The unassigned fund balance increased by \$1,220,545.

### General Fund Budgetary Highlights

Actual revenues were 0.42% greater than the final budget due to the receipt of \$98,692 in pass-through funds from the State of Michigan. Expenditures decreased by approximately 5% from the final budget primarily due to not filling all anticipated open staffing positions. Overall, actual revenues exceeded actual expenditures by \$1,738,888.

Actual variances from the final amended budgets were minimal. The budgeted expenditure line item employee benefits was over budget due to showing the expense of the \$98,692 in pass-through funds from MPERS. A transfer of \$500,000 of the \$1,738,888 revenues over expenditures was made to the Capital Project Fund.

Capital Assets. The Library's investment in capital assets as of June 30, 2018, amounted to \$26,010,527 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, vehicles, and equipment.

|                                  | Library's Capital Assets<br>(Net of Depreciation) |                            |
|----------------------------------|---|----------------------------|
|                                  | 2018  | 2017                       |
| Land                             | \$ 2,108,183                                      | \$ 2,108,183               |
| Construction in progress         | 33,315  | 365,862                    |
| Land improvements                | 533,925   | 68,665                     |
| Buildings and improvements       | 22,372,844  | 22,778,050                 |
| Vehicles                         | 21,400  | 27,514                     |
| Equipment                        | 940,860   | 763,084                    |
| <b>Total capital assets, net</b> | <b><u>\$26,010,527</u></b>                        | <b><u>\$26,111,358</u></b> |

Additional information on the Library's capital assets can be found in the notes to the financial statements.

The Library's long-term debt consisted of compensated absences. Refer to the notes to the financial statements for further information.

# ANN ARBOR DISTRICT LIBRARY

## Management's Discussion and Analysis

### Factors Bearing on the Library's Future

The following factors were considered in preparing the Library's budget for the 2018-2019 fiscal year:

- Focus on providing excellent customer service and a safe, inviting environment for our patrons.
- An increase in wages and benefits due to anticipated staff restructuring and an increase in overall staffing that are supported by an increase in tax revenue.
- Continued focus on repairs and maintenance at all locations.
- An increase in materials for additions to the Tool Collections that is supported by an increase in tax revenue.
- An increase in Library Programming for conducting more events that is supported by an increase in tax revenue.

### Requests for Information

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Associate Director, 343 S. Fifth Avenue, Ann Arbor, Michigan 48104.

## BASIC FINANCIAL STATEMENTS

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

# ANN ARBOR DISTRICT LIBRARY

## Statement of Net Position

June 30, 2018

|   | Governmental<br>Activities  |
|---|-----------------------------|
| <b>Assets</b>   |                             |
| Cash and cash equivalents   | \$ 3,680,162                |
| Investments   | 4,574,053                   |
| Receivables   | 298,245                     |
| Prepays and other items   | 290,264                     |
| Capital assets not being depreciated                                      | 2,141,498                   |
| Capital assets being depreciated, net                                     | <u>23,869,029</u>           |
| <b>Total assets</b>   | <u>34,853,251</u>           |
| <b>Deferred outflows of resources</b>                                     |                             |
| Deferred pension amounts  | 451,673                     |
| Deferred OPEB amounts   | <u>36,220</u>               |
| <b>Total deferred outflows of resources</b>                               | <u>487,893</u>              |
| <b>Liabilities</b>  |                             |
| Accounts payable and accrued liabilities                                  | 514,458                     |
| Long-term debt:   |                             |
| Due within one year   | 47,600                      |
| Due in more than one year   | 332,307                     |
| Net pension liability   | 2,003,578                   |
| Net OPEB liability  | <u>682,527</u>              |
| <b>Total liabilities</b>  | <u>3,580,470</u>            |
| <b>Deferred inflows of resources</b>                                      |                             |
| Deferred pension amounts  | 206,210                     |
| Deferred OPEB amounts   | 24,192                      |
| Deferred state aid funding for pensions and other postemployment benefits | <u>98,692</u>               |
| <b>Total deferred inflows of resources</b>                                | <u>329,094</u>              |
| <b>Net position</b>   |                             |
| Investment in capital assets  | 26,010,527                  |
| Restricted for endowments - nonexpendable                                 | 325,000                     |
| Restricted for endowments - expendable                                    | 40,532                      |
| Unrestricted  | <u>5,055,521</u>            |
| <b>Total net position</b>   | <u><u>\$ 31,431,580</u></u> |

The accompanying notes are an integral part of these financial statements.

# ANN ARBOR DISTRICT LIBRARY

## Statement of Activities

For the Year Ended June 30, 2018

| Functions / Programs                         | Expenses             | Program Revenues        |  | Net (Expense)<br>Revenue |
|--|----------------------|-------------------------|--|--------------------------|
|  |                      | Charges<br>for Services | Operating<br>Grants and<br>Contributions |                          |
| Governmental activities:                     |                      |                         |  |                          |
| Library services                             | <u>\$ 14,869,788</u> | <u>\$ 519,819</u>       | <u>\$ 134,808</u>                        | <u>\$ (14,215,161)</u>   |
| General revenues                             |                      |                         |  |                          |
| Property taxes                               |                      |                         |  | 15,613,343               |
| Unrestricted state revenue                   |                      |                         |  | 204,694                  |
| Unrestricted investment earnings             |                      |                         |  | <u>40,035</u>            |
| Total general revenues                       |                      |                         |  | <u>15,858,072</u>        |
| Change in net position                       |                      |                         |  | 1,642,911                |
| Net position, beginning of year, as restated |                      |                         |  | <u>29,788,669</u>        |
| Net position, end of year                    |                      |                         |  | <u>\$ 31,431,580</u>     |

The accompanying notes are an integral part of these financial statements.

## FUND FINANCIAL STATEMENTS

# ANN ARBOR DISTRICT LIBRARY

## Balance Sheet Governmental Funds June 30, 2018

|   | General Fund        | Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-----------------------|-----------------------------|--------------------------|
| <b>Assets</b>                               |                     |                       |                             |                          |
| Cash and cash equivalents                   | \$ 1,927,805        | \$ 1,386,825          | \$ 365,532                  | \$ 3,680,162             |
| Investments                                 | 4,574,053           | -                     | -                           | 4,574,053                |
| Due from other governmental units           | 298,245             | -                     | -                           | 298,245                  |
| Prepaid items                               | 290,264             | -                     | -                           | 290,264                  |
| <b>Total assets</b>                         | <b>\$ 7,090,367</b> | <b>\$ 1,386,825</b>   | <b>\$ 365,532</b>           | <b>\$ 8,842,724</b>      |
| <b>Liabilities</b>                          |                     |                       |                             |                          |
| Accounts payable                            | \$ 233,874          | \$ -                  | \$ -                        | \$ 233,874               |
| Accrued payroll and benefits                | 280,584             | -                     | -                           | 280,584                  |
| <b>Total liabilities</b>                    | <b>514,458</b>      | <b>-</b>              | <b>-</b>                    | <b>514,458</b>           |
| <b>Fund balances</b>                        |                     |                       |                             |                          |
| Nonspendable:                               |                     |                       |                             |                          |
| Prepaid items                               | 290,264             | -                     | -                           | 290,264                  |
| Permanent corpus                            | -                   | -                     | 325,000                     | 325,000                  |
| Restricted for endowments                   | -                   | -                     | 40,532                      | 40,532                   |
| Committed for capital improvements          | -                   | 1,386,825             | -                           | 1,386,825                |
| Assigned for subsequent year appropriations | 452,147             | -                     | -                           | 452,147                  |
| Unassigned                                  | 5,833,498           | -                     | -                           | 5,833,498                |
| <b>Total fund balances</b>                  | <b>6,575,909</b>    | <b>1,386,825</b>      | <b>365,532</b>              | <b>8,328,266</b>         |
| <b>Total liabilities and fund balances</b>  | <b>\$ 7,090,367</b> | <b>\$ 1,386,825</b>   | <b>\$ 365,532</b>           | <b>\$ 8,842,724</b>      |

The accompanying notes are an integral part of these financial statements.

# ANN ARBOR DISTRICT LIBRARY

## Reconciliation

Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2018

|  |                      |
|--|----------------------|
| Fund balances - total governmental funds   | \$ 8,328,266         |
| Amounts reported for <i>governmental activities</i> 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 funds.  |                      |
| Capital assets   | 38,237,049           |
| Accumulated depreciation   | (12,226,522)         |
| Certain liabilities, including amounts due for compensated absences, are not due and payable in the current period and therefore are not reported in the funds.  |                      |
| Compensated absences   | (379,907)            |
| Certain pension and other postemployment benefit (OPEB)-related amounts, such as the net pension and other postemployment benefit (OPEB) liabilities and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds. |                      |
| Net pension liability  | (2,003,578)          |
| Net OPEB liability   | (682,527)            |
| Deferred outflows related to the net pension liability   | 451,673              |
| Deferred outflows related to the net OPEB liability  | 36,220               |
| Deferred inflows related to the net pension liability  | (206,210)            |
| Deferred inflows related to the net OPEB liability   | (24,192)             |
| Deferred inflows related to state pension and OPEB funding   | (98,692)             |
| Net position of governmental activities  | <u>\$ 31,431,580</u> |

The accompanying notes are an integral part of these financial statements.

# ANN ARBOR DISTRICT LIBRARY

## Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2018

|   | General Fund        | Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-----------------------|-----------------------------|--------------------------|
| <b>Revenues</b>                             |                     |                       |                             |                          |
| Property taxes, net                         | \$ 15,613,343       | \$ -                  | \$ -                        | \$ 15,613,343            |
| State penal fines                           | 228,869             | -                     | -                           | 228,869                  |
| State aid                                   | 221,238             | -                     | -                           | 221,238                  |
| Interest income                             | 39,215              | -                     | 820                         | 40,035                   |
| Copier revenue                              | 36,190              | -                     | -                           | 36,190                   |
| Grants and memorials                        | 134,808             | -                     | -                           | 134,808                  |
| Library fines, fees and other               | 195,512             | -                     | -                           | 195,512                  |
| Non-resident fees                           | 17,963              | -                     | -                           | 17,963                   |
| Rental income                               | 41,285              | -                     | -                           | 41,285                   |
| <b>Total revenues</b>                       | <b>16,528,423</b>   | <b>-</b>              | <b>820</b>                  | <b>16,529,243</b>        |
| <b>Expenditures</b>                         |                     |                       |                             |                          |
| Current:                                    |                     |                       |                             |                          |
| Personnel costs                             | 8,795,379           | -                     | -                           | 8,795,379                |
| Purchased services                          | 1,241,697           | -                     | -                           | 1,241,697                |
| Repairs and maintenance                     | 468,209             | -                     | -                           | 468,209                  |
| Rent  | 684,237             | -                     | -                           | 684,237                  |
| Materials and supplies                      | 2,103,932           | -                     | -                           | 2,103,932                |
| Other operating costs                       | 645,216             | -                     | -                           | 645,216                  |
| Capital outlay/maintenance expense          | 850,865             | 118,067               | -                           | 968,932                  |
| <b>Total expenditures</b>                   | <b>14,789,535</b>   | <b>118,067</b>        | <b>-</b>                    | <b>14,907,602</b>        |
| Revenue over (under) expenditures           | 1,738,888           | (118,067)             | 820                         | 1,621,641                |
| <b>Other financing sources (uses)</b>       |                     |                       |                             |                          |
| Transfers in                                | -                   | 500,000               | -                           | 500,000                  |
| Transfers out                               | (500,000)           | -                     | -                           | (500,000)                |
| <b>Total other financing sources (uses)</b> | <b>(500,000)</b>    | <b>500,000</b>        | <b>-</b>                    | <b>-</b>                 |
| Net change in fund balances                 | 1,238,888           | 381,933               | 820                         | 1,621,641                |
| Fund balance, beginning of year             | 5,337,021           | 1,004,892             | 364,712                     | 6,706,625                |
| <b>Fund balance, end of year</b>            | <b>\$ 6,575,909</b> | <b>\$ 1,386,825</b>   | <b>\$ 365,532</b>           | <b>\$ 8,328,266</b>      |

The accompanying notes are an integral part of these financial statements.

# ANN ARBOR DISTRICT LIBRARY

## Reconciliation

Net Change in Fund Balances of Governmental Funds  
to Change in Net Position of Governmental Activities  
For the Year Ended June 30, 2018

|   |                            |
|---|----------------------------|
| Net change in fund balances - total governmental funds  | \$ 1,621,641               |
| Amounts reported for <i>governmental activities</i> in the statement of activities are different because:   |                            |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.           |                            |
| Capital assets purchased/constructed  | 732,978                    |
| Depreciation expense  | (832,403)                  |
| Loss on disposal of capital assets  | (1,406)                    |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.  |                            |
| Change in the net pension liability and related deferred amounts  | 95,677                     |
| Change in the net other postemployment benefit liability and related deferred amounts   | 19,363                     |
| Change in the accrual for compensated absences  | 23,605                     |
| Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period. |                            |
| State aid funding for pension and other postemployment benefit  | <u>(16,544)</u>            |
| Change in net position of governmental activities   | <u><u>\$ 1,642,911</u></u> |

The accompanying notes are an integral part of these financial statements.

# ANN ARBOR DISTRICT LIBRARY

## Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual General Fund For the Year Ended June 30, 2018

|                                     | Original<br>Budget  | Final<br>Budget     | Actual              | Over<br>(Under)<br>Final Budget |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------------------|
| <b>Revenues</b>                     |                     |                     |                     |                                 |
| Property taxes, net                 | \$ 15,598,058       | \$ 15,598,058       | \$ 15,613,343       | \$ 15,285                       |
| State penal fines                   | 225,000             | 225,000             | 228,869             | 3,869                           |
| State aid                           | 90,000              | 90,000              | 221,238             | 131,238                         |
| Interest income                     | 25,000              | 25,000              | 39,215              | 14,215                          |
| Copier revenue                      | 25,000              | 25,000              | 36,190              | 11,190                          |
| Grants and memorials                | 50,000              | 200,000             | 134,808             | (65,192)                        |
| Library fines, fees and other       | 250,000             | 250,000             | 195,512             | (54,488)                        |
| Non-resident fees                   | 15,000              | 15,000              | 17,963              | 2,963                           |
| Rental income                       | 31,110              | 31,110              | 41,285              | 10,175                          |
| <b>Total revenues</b>               | <b>16,309,168</b>   | <b>16,459,168</b>   | <b>16,528,423</b>   | <b>69,255</b>                   |
| <b>Expenditures</b>                 |                     |                     |                     |                                 |
| <b>Current:</b>                     |                     |                     |                     |                                 |
| <b>Personnel costs:</b>             |                     |                     |                     |                                 |
| Salaries and wages                  | 6,758,349           | 6,669,342           | 6,549,058           | (120,284)                       |
| Employee benefits                   | 1,732,103           | 1,742,103           | 1,760,462           | 18,359                          |
| Employment taxes                    | 517,014             | 517,014             | 485,859             | (31,155)                        |
| <b>Purchased services:</b>          |                     |                     |                     |                                 |
| Custodial services                  | 262,000             | 272,000             | 270,145             | (1,855)                         |
| Professional services               | 326,158             | 326,865             | 264,374             | (62,491)                        |
| Utilities                           | 489,000             | 489,000             | 410,289             | (78,711)                        |
| Property insurance                  | 102,200             | 102,200             | 92,245              | (9,955)                         |
| Communications                      | 180,000             | 205,000             | 204,644             | (356)                           |
| Repairs and maintenance             | 517,027             | 521,125             | 468,209             | (52,916)                        |
| Rent                                | 685,052             | 697,143             | 684,237             | (12,906)                        |
| <b>Materials and supplies:</b>      |                     |                     |                     |                                 |
| Materials                           | 1,752,200           | 1,757,700           | 1,588,619           | (169,081)                       |
| Operating supplies and expenditures | 602,315             | 614,315             | 515,313             | (99,002)                        |
| <b>Other operating costs:</b>       |                     |                     |                     |                                 |
| Library programming                 | 593,200             | 578,200             | 459,237             | (118,963)                       |
| Seminars, conferences and travel    | 28,650              | 28,650              | 23,135              | (5,515)                         |
| Grant and memorial expenditures     | 50,000              | 200,000             | 162,844             | (37,156)                        |
| Capital outlay/maintenance expense  | 825,000             | 850,872             | 850,865             | (7)                             |
| <b>Total expenditures</b>           | <b>15,420,268</b>   | <b>15,571,529</b>   | <b>14,789,535</b>   | <b>(781,994)</b>                |
| Revenue over expenditures           | 888,900             | 887,639             | 1,738,888           | 851,249                         |
| <b>Other financing uses</b>         |                     |                     |                     |                                 |
| Transfers out                       | -                   | -                   | (500,000)           | 500,000                         |
| <b>Net change in fund balances</b>  | <b>888,900</b>      | <b>887,639</b>      | <b>1,238,888</b>    | <b>1,351,249</b>                |
| Fund balance, beginning of year     | 5,337,021           | 5,337,021           | 5,337,021           | -                               |
| <b>Fund balance, end of year</b>    | <b>\$ 6,225,921</b> | <b>\$ 6,224,660</b> | <b>\$ 6,575,909</b> | <b>\$ 351,249</b>               |

The accompanying notes are an integral part of these financial statements.

## NOTES TO FINANCIAL STATEMENTS

# ANN ARBOR DISTRICT LIBRARY

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

The Ann Arbor District Library (the “Library”) is a public entity, which enjoys dual tax status as both a municipality and a 501(c)(3) tax-exempt organization.

Pursuant to Public Act 145 of 1993 (Proposal A), effective July 1, 1996, school districts in Michigan are not allowed to levy a millage for public libraries. The Library was, therefore, spun off from the Ann Arbor Public Schools (the “Schools”) to operate as an independent body with its own board of trustees and its own tax levy. The Library has received voter approval to levy up to 2.0 mills. The Library levied 1.8913 mills for the year ending June 30, 2018. Assets and liabilities of the Library were transferred as of July 1, 1996. The Library is governed by an elected Board (the “Library Board”) which consists of seven members elected at large from the Library District.

The Library’s borders encompass the City of Ann Arbor (the “City”), the Township of Ann Arbor, and portions of the Townships of Lodi, Pittsfield, Salem, Scio, Superior, and Webster. Properties in each governmental unit are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year.

The Library has followed the guidelines of the Governmental Accounting Standards Board, and has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the Library.

#### *Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support. The Library had no business-type activities during the year.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers 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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

# ANN ARBOR DISTRICT LIBRARY

## Notes to Financial Statements

### *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. Revenues are 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 revenues 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. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes received, intergovernmental revenue, and interest revenue earned within the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

The Library reports the following major governmental funds:

The *general fund* is the Library's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Additionally, the Library reports the following fund type -

The *permanent funds* account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support specific Library programs.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resources as they are needed.

### **Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity**

#### *Deposits and Investments*

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value.

# ANN ARBOR DISTRICT LIBRARY

## Notes to Financial Statements

### *Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non current portion of interfund loans). There were no such interfund loans outstanding at year end.

### *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.

### *Capital Assets*

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

|                            | Years |
|----------------------------|-------|
| Land improvements          | 20    |
| Buildings and improvements | 20-45 |
| Vehicles                   | 4-12  |
| Equipment                  | 5-20  |

### *Deferred Outflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The Library reports deferred outflows of resources related to the net pension and other postemployment benefit liabilities. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

### *Compensated Absences*

Compensated absences represent the estimated liability to be paid to employees under the Library’s compensated absences policy, net of the portion that is estimated to be paid currently. Under the Library’s policy, employees earn compensated absence time based on time of service with the Library.

# ANN ARBOR DISTRICT LIBRARY

## Notes to Financial Statements

### *Deferred Inflows of Resources*

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Library's deferred inflows of resources are related to pension and other postemployment benefit liabilities and revenue in support of pension and other postemployment benefit payments made subsequent to the measurement date.

### *Fund Equity*

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 require to be maintained intact. *Restricted fund balance*, if any, is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance*, if any, is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action if the government's highest level of decision making authority, the Library Board. 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.

When the Library incurs an expenditure for purposes for which various fund balance classification can be used, it is the Library's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

### *Pensions and Other Postemployment Benefits*

For purposes of measuring the net pension and other postemployment benefit liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefit expenses, information about the fiduciary net position of the Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

### *Use of Estimates*

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

# ANN ARBOR DISTRICT LIBRARY

## Notes to Financial Statements

### 2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year-end.

The general fund is under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted and as amended by the Library Board. The budget for the general fund is adopted at the level of detail displayed in the basic financial statements. During the year ended June 30, 2018, the Library incurred expenditures in budgetary funds in excess of the amounts appropriated, as follows:

|                                     | Final Budget | Actual    | Over Budget |
|-------------------------------------|--------------|-----------|-------------|
| Current:                            |              |           |             |
| Personnel costs - employee benefits | 1,742,103    | 1,760,462 | 18,359      |
| Transfers out                       | -            | 500,000   | 500,000     |

### 3. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown on the Statement of Net Position follows:

|                           |                            |
|---------------------------|----------------------------|
| Statement of Net Position |                            |
| Cash and cash equivalents | \$ 3,680,162               |
| Investments               | <u>4,574,053</u>           |
| Total                     | <u><u>\$ 8,254,215</u></u> |

These balances are disclosed in the notes as follows:

|                               |                            |
|-------------------------------|----------------------------|
| Petty cash                    | \$ 1,900                   |
| Bank deposits:                |                            |
| Checking and savings accounts | 3,678,262                  |
| Certificates of deposit       | 172,673                    |
| Investments                   | <u>4,401,380</u>           |
|                               | <u><u>\$ 8,254,215</u></u> |

#### Statutory Authority

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the United States, certain commercial paper, repurchase agreements, banker acceptances and mutual funds composed of otherwise legal investments.

# ANN ARBOR DISTRICT LIBRARY

## Notes to Financial Statements

### Investments

The Library chooses to disclose its investments by specifically identifying each. As of year-end, the Library had the following investments:

| Investment               | Maturity   | Fair Value          | Rating      |
|--------------------------|------------|---------------------|-------------|
| U.S. government agencies | 7/27/2018  | \$ 200,605          | S&P AA+     |
| U.S. government agencies | 8/17/2018  | 25,052              | S&P AA+     |
| U.S. government agencies | 3/21/2019  | 298,543             | S&P AA+     |
| U.S. government agencies | 10/28/2019 | 295,575             | S&P AA+     |
| U.S. government agencies | 11/25/2019 | 246,674             | S&P AA+     |
| U.S. government agencies | 4/13/2020  | 199,832             | S&P AA+     |
| U.S. government agencies | 4/13/2020  | 294,087             | S&P AA+     |
| U.S. government agencies | 7/24/2020  | 98,562              | S&P AA+     |
| U.S. government agencies | 9/10/2021  | 99,073              | Moody's AAA |
| U.S. government agencies | 11/17/2021 | 145,988             | S&P AA+     |
| U.S. government agencies | 1/13/2022  | 97,001              | Moody's AAA |
| U.S. government agencies | 2/1/2022   | 199,817             | S&P AA+     |
| U.S. government agencies | 3/29/2022  | 149,005             | S&P AA+     |
| U.S. government agencies | 4/5/2022   | 98,687              | Moody's AAA |
| U.S. government agencies | 12/22/2022 | 198,378             | S&P AA+     |
| Municipal bonds          | 5/1/2019   | 151,620             | Moody's AA1 |
| Municipal bonds          | 5/1/2019   | 49,664              | Moody's AA- |
| Municipal bonds          | 11/1/2020  | 51,893              | S&P AA-     |
| Municipal bonds          | 5/1/2020   | 49,447              | Moody's AA1 |
| Municipal bonds          | 5/1/2020   | 98,033              | Moody's AA- |
| Municipal bonds          | 5/1/2020   | 147,864             | Moody's AA- |
| Municipal bonds          | 10/1/2020  | 104,676             | Moody's AA  |
| Municipal bonds          | 5/1/2021   | 50,752              | Moody's AA- |
| Municipal bonds          | 10/1/2022  | 99,062              | Moody's AAA |
| Municipal bonds          | 12/1/2022  | 49,336              | Moody's AA  |
| Municipal bonds          | 1/1/2023   | 109,362             | Moody's AA+ |
| Municipal bonds          | 5/1/2023   | 193,344             | Moody's AA- |
| Municipal bonds          | 5/1/2023   | 99,174              | Moody's AA- |
| Municipal bonds          | 5/1/2023   | 142,388             | Moody's AA- |
| Municipal bonds          | 4/1/2024   | 54,662              | Moody's AAA |
| Municipal bonds          | 11/1/2024  | 125,353             | Moody's AA1 |
| Bond funds               | N/A        | 96,861              | NR NR       |
| Money market funds       | N/A        | 42,425              | N/A N/A     |
| Money market funds       | N/A        | 38,587              | N/A N/A     |
|                          |            | <u>\$ 4,401,380</u> |             |

# ANN ARBOR DISTRICT LIBRARY

## Notes to Financial Statements

### Deposit and Investment Risk

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. 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. Maturity dates of investments are shown in the investment schedule above.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Library’s investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year-end.

*Custodial Credit Risk - Deposits.* 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 deposit custodial credit risk. As of year end, \$3,579,623 of the Library’s bank balance of \$4,002,297 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk - Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Library does not have a policy for investment custodial credit risk. Although uninsured and unregistered, the Library’s investments are not exposed to custodial credit risk since the securities are held by the counterparty’s trust department or agent in the Library’s name.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Library’s investment policy restricts commercial paper in any one fund to no more than 33% at any time. All investments held at year-end are reported above.

*Fair Value Measurements.* The Library categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Library had the following recurring fair value measurements as of June 30, 2018:

|                          | Level 1          | Level 2             | Level 3     | Total               |
|--------------------------|------------------|---------------------|-------------|---------------------|
| U.S. government agencies | \$ -             | \$ 2,646,879        | \$ -        | \$ 2,646,879        |
| Municipal bonds          | -                | 1,576,628           | -           | 1,576,628           |
| Bond funds               | -                | 96,861              | -           | 96,861              |
| Money market funds       | 81,012           | -                   | -           | 81,012              |
|                          | <u>\$ 81,012</u> | <u>\$ 4,320,367</u> | <u>\$ -</u> | <u>\$ 4,401,380</u> |

# ANN ARBOR DISTRICT LIBRARY

## Notes to Financial Statements

### 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

|  | Beginning<br>Balance | Additions          | Disposals         | Transfers        | Ending<br>Balance    |
|--|----------------------|--------------------|-------------------|------------------|----------------------|
| Capital assets not being depreciated               |                      |                    |                   |                  |                      |
| Land   | \$ 2,108,183         | \$ -               | \$ -              | \$ -             | \$ 2,108,183         |
| Construction in progress                           | 365,862              | 33,315             | -                 | (365,862)        | 33,315               |
| <b>Total capital assets not being depreciated</b>  | <b>2,474,045</b>     | <b>33,315</b>      | <b>-</b>          | <b>(365,862)</b> | <b>2,141,498</b>     |
| Capital assets being depreciated                   |                      |                    |                   |                  |                      |
| Land improvements                                  | 95,578               | 116,429            | -                 | 365,862          | 577,869              |
| Buildings and improvements                         | 31,541,662           | 251,380            | -                 | -                | 31,793,042           |
| Vehicles   | 92,468               | -                  | -                 | -                | 92,468               |
| Communications equipment                           | 418,723              | -                  | -                 | -                | 418,723              |
| Computer equipment                                 | 1,106,622            | 331,854            | (8,063)           | 499,988          | 1,930,401            |
| Furniture and equipment                            | 1,110,475            | -                  | (3,516)           | 42,967           | 1,149,926            |
| Other equipment                                    | 676,077              | -                  | -                 | (542,955)        | 133,122              |
| <b>Total capital assets being depreciated</b>      | <b>35,041,605</b>    | <b>699,663</b>     | <b>(11,579)</b>   | <b>365,862</b>   | <b>36,095,551</b>    |
| Less accumulated depreciation for:                 |                      |                    |                   |                  |                      |
| Land improvements                                  | (26,913)             | (17,031)           | -                 | -                | (43,944)             |
| Buildings and improvements                         | (8,763,612)          | (656,586)          | -                 | -                | (9,420,198)          |
| Vehicles   | (64,954)             | (6,114)            | -                 | -                | (71,068)             |
| Communications equipment                           | (411,253)            | (5,406)            | -                 | 3,342            | (413,317)            |
| Computer equipment                                 | (988,331)            | (94,163)           | 8,063             | (335,292)        | (1,409,723)          |
| Furniture and equipment                            | (682,457)            | (44,193)           | 2,110             | (31,422)         | (755,962)            |
| Other equipment                                    | (466,772)            | (8,910)            | -                 | 363,372          | (112,310)            |
| <b>Total accumulated depreciation</b>              | <b>(11,404,292)</b>  | <b>(832,403)</b>   | <b>10,173</b>     | <b>-</b>         | <b>(12,226,522)</b>  |
| <b>Total capital assets being depreciated, net</b> | <b>23,637,313</b>    | <b>(132,740)</b>   | <b>(1,406)</b>    | <b>365,862</b>   | <b>23,869,029</b>    |
| <b>Governmental activities capital assets, net</b> | <b>\$ 26,111,358</b> | <b>\$ (99,425)</b> | <b>\$ (1,406)</b> | <b>\$ -</b>      | <b>\$ 26,010,527</b> |

# ANN ARBOR DISTRICT LIBRARY

## Notes to Financial Statements

At June 30, 2018, the Library had outstanding commitments for construction contracts of approximately \$24,000 for building improvement projects.

### 5. INTERFUND TRANSFERS

For the year ending June 30, 2018, interfund transfers consisted of the following:

|                       | Transfers in      | Transfers out     |
|-----------------------|-------------------|-------------------|
| General fund          | \$ -              | \$ 500,000        |
| Capital projects fund | 500,000           | -                 |
|                       | <u>\$ 500,000</u> | <u>\$ 500,000</u> |

For the year ended June 30, 2018, the Library's general fund transferred funds primarily to subsidize various projects within the capital projects fund.

### 6. LONG-TERM DEBT

The following is a summary of long-term debt outstanding of the Library for the year ended June 30, 2018:

|                      | Beginning Balance | Additions         | Deductions          | Ending Balance    | Due Within One Year |
|----------------------|-------------------|-------------------|---------------------|-------------------|---------------------|
| Compensated absences | <u>\$ 403,512</u> | <u>\$ 628,222</u> | <u>\$ (651,827)</u> | <u>\$ 379,907</u> | <u>\$ 47,600</u>    |

Compensated absences are generally liquidated by the general fund.

### 7. LEASES

The Library rents building space for one of the branches and archive storage under operating leases. The rental payments include taxes and shared building expenses. The minimum future rental payments at June 30 are summarized as follows:

| Year Ended June 30, | Amount              |
|---------------------|---------------------|
| 2019                | \$ 657,408          |
| 2020                | 670,385             |
| 2021                | 683,712             |
| 2022                | 615,294             |
| 2023                | 567,430             |
| 2024                | <u>577,044</u>      |
| Total               | <u>\$ 3,771,273</u> |

Total rental expense under the above leases for the year ended June 30, 2018 was \$590,951.

# ANN ARBOR DISTRICT LIBRARY

## Notes to Financial Statements

### 8. TRANSFERS OF ASSETS AND ASSUMPTION OF LIABILITIES AND CONTRACTUAL OBLIGATIONS

Effective July 1, 1996, the Schools transferred all of the assets (the "Premises") of its library fund to the Library subject to all the liabilities and contractual obligations, including contingent liabilities, of or incurred by the former library.

At the time of the separation of the Library from the Schools under the District Library Agreement ("DLA"), the Library, the Schools and the City executed an Employee Transfer Agreement which outlined many of the provisions governing the formation of the District Library and the terms and conditions of employment relations during the transition period. The Employee Transfer Agreement provides that the Library shall continue to make retirement contributions to MPERS for Former School Library Employees ("FSLE"), that is, those employed prior to July 1, 1996. As provided in the Agreement, the Library has continued to make contributions to MPERS on behalf of FSLE with the exception of certain identified hourly employees. The Library has also adopted a 403(b) defined contribution plan which allows for participation by certain designated employees who are not part of the FSLE group.

### 9. RETIREMENT PLAN

#### *Plan Description*

The Michigan Public School Employees' Retirement System (the "System" or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (the "State") originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available at [www.michigan.gov/mpers-cafr](http://www.michigan.gov/mpers-cafr).

#### *Pension Benefits Provided*

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits for are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB member plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

# ANN ARBOR DISTRICT LIBRARY

## Notes to Financial Statements

### *Other Postemployment Benefits Provided*

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

### *Contributions*

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 22-year period for the 2017 fiscal year.

# ANN ARBOR DISTRICT LIBRARY

## Notes to Financial Statements

The table below summarizes pension contribution rates in effect for fiscal year 2018:

| Benefit Structure            | Member Rates | Employer Rates |
|------------------------------|--------------|----------------|
| Basic                        | 0.0% - 4.0%  | 19.03%         |
| Member Investment Plan (MIP) | 3.0% - 7.0%  | 19.03%         |
| Pension Plus                 | 3.0% - 6.4%  | 18.40%         |
| Pension Plus 2               | 6.2%         | 19.74%         |
| Defined Contribution         | 0.0%         | 15.27%         |

Required and actual contributions to the pension plan for the Library were \$199,360 for the year ended June 30, 2018.

The table below summarized OPEB contribution rates in effect for fiscal year 2018:

| Benefit Structure              | Member Rates | Employer Rates |
|--------------------------------|--------------|----------------|
| Premium Subsidy                | 3.0%         | 5.91% - 7.67%  |
| Personal Healthcare Fund (PHF) | 0.0%         | 5.69% - 7.42%  |

Required and actual contributions to the OPEB plan for the Library were \$46,777 for the year ended June 30, 2018.

### *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2018, the Library reported a liability of \$2,003,578 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2016. The Library's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2017, the Library's proportion was 0.00773%, which was an increase of 0.00002% from its proportion measured as of September 30, 2016.

# ANN ARBOR DISTRICT LIBRARY

## Notes to Financial Statements

For the year ended June 30, 2018, the Library recognized pension expense of \$103,683. At June 30, 2018, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred Outflows of Resources | Deferred Inflows of Resources | Net Deferred Outflows (Inflows) of Resources |
|---|--------------------------------|-------------------------------|--|
| Differences between expected and actual experience  | \$ 17,412                      | \$ 9,831                      | \$ 7,581                                     |
| Changes in assumptions  | 219,508                        | -                             | 219,508                                      |
| Net difference between projected and actual earnings on pension plan investments                              | -                              | 95,784                        | (95,784)                                     |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 40,017                         | 100,595                       | (60,578)                                     |
|   | <u>276,937</u>                 | <u>206,210</u>                | <u>70,727</u>                                |
| Library contributions subsequent to the measurement date  | 174,736                        | -                             | 174,736                                      |
|   | <u>174,736</u>                 | <u>-</u>                      | <u>174,736</u>                               |
| Total   | <u>\$ 451,673</u>              | <u>\$ 206,210</u>             | <u>\$ 245,463</u>                            |

\$174,376 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30, | Amount           |
|---------------------|------------------|
| 2018                | \$ (6,763)       |
| 2019                | 42,834           |
| 2020                | 38,832           |
| 2021                | <u>(4,176)</u>   |
| Total               | <u>\$ 70,727</u> |

### *OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

At June 30, 2018, the Library reported a liability of \$682,527 for its proportionate share of the OPEB net liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation. The Library's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the Library's proportion was 0.00771%.

# ANN ARBOR DISTRICT LIBRARY

## Notes to Financial Statements

For the year ended June 30, 2018, the Library recognized OPEB expense of \$27,414. At June 30, 2018, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Net Deferred<br>Outflows<br>(Inflows) of<br>Resources |
|---|--------------------------------------|-------------------------------------|---|
| Differences between expected and actual experience  | \$ -                                 | \$ 7,267                            | \$ (7,267)  |
| Changes in assumptions  | -                                    | -                                   | -   |
| Net difference between projected and actual earnings on pension plan investments                              | -                                    | 15,807                              | (15,807)  |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | -                                    | 1,118                               | (1,118)   |
|   | -                                    | 24,192                              | (24,192)  |
| Library contributions subsequent to the measurement date  | 36,220                               | -                                   | 36,220  |
| <b>Total</b>  | <b>\$ 36,220</b>                     | <b>\$ 24,192</b>                    | <b>\$ 12,028</b>                                      |

\$36,220 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended<br>June 30, | Amount             |
|------------------------|--------------------|
| 2018                   | \$ (5,826)         |
| 2019                   | (5,826)            |
| 2020                   | (5,826)            |
| 2021                   | (5,826)            |
| 2022                   | (888)              |
| <b>Total</b>           | <b>\$ (24,192)</b> |

# ANN ARBOR DISTRICT LIBRARY

## Notes to Financial Statements

### *Actuarial Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. 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. The total pension liability in the September 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                                  |   |
|----------------------------------|---|
| Actuarial cost method            | Entry age, normal   |
| Wage inflation rate              | 3.5%  |
| Investment rate of return:       |   |
| MIP and Basic plans (non-hybrid) | 7.5%  |
| Pension Plus plan (hybrid)       | 7.0%  |
| OPEB plans                       | 7.5%  |
| Projected salary increases       | 3.5% - 12.3%, including wage inflation at 3.0%  |
| Cost of living adjustments       | 3% annual non-compounded for MIP members  |
| Healthcare cost trend rate       | 7.5% Year 1 graded to 3.5% Year 12  |
| Mortality                        | RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females. |
| Other OPEB assumptions:          |   |
| Opt out assumptions              | 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan   |
| Survivor coverage                | 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death  |
| Coverage elections at retirement | 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.   |

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.5188 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.4744 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

# ANN ARBOR DISTRICT LIBRARY

## Notes to Financial Statements

### Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of September 30, 2017, are summarized in the following table:

| Asset Class                          | Target Allocation | Long-term Expected Real Rate of Return | Expected Money-Weighted Rate of Return |
|--------------------------------------|-------------------|--|--|
| Domestic equity pools                | 28.00%            | 5.60%                                  | 1.56%                                  |
| Alternative investment pools         | 18.00%            | 8.70%                                  | 1.57%                                  |
| International equity                 | 16.00%            | 7.20%                                  | 1.15%                                  |
| Fixed income pools                   | 10.50%            | -0.10%                                 | -0.01%                                 |
| Real estate and infrastructure pools | 10.00%            | 4.20%                                  | 0.42%                                  |
| Absolute return pools                | 15.50%            | 5.00%                                  | 0.78%                                  |
| Short-term investment pools          | 2.00%             | -0.90%                                 | -0.02%                                 |
|                                      | <u>100.00%</u>    |  | <u>5.45%</u>                           |
| Inflation                            |                   |  | <u>2.05%</u>                           |
| Investment rate of return            |                   |  | <u><u>7.50%</u></u>                    |

### Discount Rate

A discount rate of 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension and OPEB plan investments of 7.5% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

# ANN ARBOR DISTRICT LIBRARY

## Notes to Financial Statements

### *Sensitivity of Library's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the Library's proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for the Hybrid Plan), as well as what the Library's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

|  | 1% Decrease<br>(6.5%) | Current<br>Discount Rate<br>(7.5%) | 1% Increase<br>(8.5%) |
|--|-----------------------|------------------------------------|-----------------------|
| Library's proportionate share of the net pension liability | \$ 2,609,996          | \$ 2,003,578                       | \$ 1,493,013          |

### *Sensitivity of Library's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*

The following presents the Library's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the Library's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

|   | 1% Decrease<br>(6.5%) | Current<br>Discount Rate<br>(7.5%) | 1% Increase<br>(8.5%) |
|---|-----------------------|------------------------------------|-----------------------|
| Library's proportionate share of the net OPEB liability | \$ 799,437            | \$ 682,527                         | \$ 583,308            |

### *Sensitivity of Library's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate*

The following presents the Library's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the Library's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

|   | 1% Decrease<br>(6.5%<br>decreasing to<br>2.5%) | Healthcare<br>Cost Trend<br>Rate (7.5%<br>decreasing to<br>3.5%) | 1% Increase<br>(8.5%<br>decreasing to<br>4.5%) |
|---|--|--|--|
| Library's proportionate share of the net OPEB | \$ 578,009                                     | \$ 682,527   | \$ 801,201                                     |

# ANN ARBOR DISTRICT LIBRARY

## Notes to Financial Statements

### *Pension & OPEB Plan Fiduciary Net Position*

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

### *Payable to the Pension & OPEB Plan*

At June 30, 2018, the Library reported a payable of \$1,665 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2018.

## 10. DEFINED CONTRIBUTION PLAN

Employees hired subsequent to July 1, 1996 are not eligible to participate in the MPSERS as the Library is no longer operated by the Schools. However, some employees are eligible to participate in the Library's 403(b) retirement savings plan (the "Plan"), a defined contribution plan which consists of a tax deferred annuity. Employees are eligible to participate in the Plan as of their start date of employment. The Plan, called the Ann Arbor Library 403(b) Tax Sheltered Annuity Plan, is administered by the Library and has been reviewed and approved by the Internal Revenue Service. Plan provisions and contribution requirements are established and may be amended by the Library Board of Directors.

The Library contributes 10% of the eligible salaried employees' base pay. There are no employee matching requirements; however, employees can contribute the maximum amount as required by current IRS guidelines into any one of six mutual funds with variable degrees of risk. Both employee and employer contributions are portable, thus in the event an employee terminates employment with the Library, the Plan benefits travel with the employee. Upon retirement, an eligible employee receives the tax-deferred contributions plus interest earnings on the contributions. The employer and employee contributions for the Plan year ended June 30, 2018, were \$480,117 and \$220,902, respectively. At June 30, 2018, there were 116 employees participating in the plan.

## 11. RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for general liability, property casualty, health claims and workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

## 12. NEW ACCOUNTING STANDARD

For the year ended June 30, 2018, the Library implemented the following new pronouncements: GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

GASB Statement No. 75 requires governments that participate in defined benefit other postemployment benefit (OPEB) plans to report in statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The statement requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expenses.

# ANN ARBOR DISTRICT LIBRARY

## Notes to Financial Statements

The restatement of the beginning of the year net position is as follows:

|  | Governmental<br>Activities |
|--|----------------------------|
| Net position as previously stated July 1, 2017 | \$ 30,560,679              |
| Adoption of GASB Statement 75:                 |                            |
| Net OPEB Liability                             | (719,915)                  |
| Deferred Outflows                              | 30,053                     |
| Deferred Inflows                               | <u>(82,148)</u>            |
| Net position as restated July 1, 2017          | <u>\$ 29,788,669</u>       |



## REQUIRED SUPPLEMENTARY INFORMATION

## ANN ARBOR DISTRICT LIBRARY

### Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

#### Schedule of the Library's Proportionate Share of the Net Pension Liability

|   | Year Ended June 30, |              |              |              |
|---|---------------------|--------------|--------------|--------------|
|   | 2015                | 2016         | 2017         | 2018         |
| Library's proportion of the net pension liability   | \$ 1,884,740        | \$ 1,818,001 | \$ 1,923,682 | \$ 2,003,578 |
| Library's proportionate share of the net pension liability  | 0.00856%            | 0.00744%     | 0.00771%     | 0.00773%     |
| Library's covered payroll   | \$ 725,594          | \$ 631,512   | \$ 635,913   | \$ 638,348   |
| Library's proportionate share of the net pension liability as a percentage of its covered payroll | 259.75%             | 287.88%      | 302.51%      | 313.87%      |
| Plan fiduciary net position as a percentage of the total pension liability                        | 66.20%              | 63.17%       | 63.27%       | 64.21%       |

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

## ANN ARBOR DISTRICT LIBRARY

### Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

#### Schedule of Library's Pension Contributions

|  | Year Ended June 30, |            |            |            |
|--|---------------------|------------|------------|------------|
|  | 2015                | 2016       | 2017       | 2018       |
| Statutorily required contribution                                  | \$ 138,801          | \$ 125,450 | \$ 118,919 | \$ 199,360 |
| Contributions in relation to the statutorily required contribution | (138,801)           | (125,450)  | (118,919)  | (199,360)  |
| Contribution deficiency (excess)                                   | \$ -                | \$ -       | \$ -       | \$ -       |
| Library's covered payroll  | \$ 630,127          | \$ 631,504 | \$ 625,513 | \$ 622,647 |
| Contributions as a percentage of covered payroll                   | 22.03%              | 19.87%     | 19.01%     | 32.02%     |

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

## ANN ARBOR DISTRICT LIBRARY

### Required Supplementary Information MPERS Cost-Sharing Multiple-Employer Plan

#### Schedule of the Library's Proportionate Share of the Net Other Postemployment Benefit (OPEB) Liability

|  | Year Ended<br>June 30, 2018 |
|--|-----------------------------|
| Library's proportion of the net OPEB Liability   | \$ 682,527                  |
| Library's proportionate share of net OPEB Liability  | 0.00771%                    |
| Library's covered payroll  | 638,348                     |
| Library's proportionate share of net OPEB liability as a percentage of its covered payroll | 106.92%                     |
| Plan fiduciary net position as a percentage of total OPEB liability                        | 36.39%                      |

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

## ANN ARBOR DISTRICT LIBRARY

### Required Supplementary Information MPERS Cost-Sharing Multiple-Employer Plan

#### Schedule of the Library's Other Postemployment Benefit (OPEB) Contributions

|   | Year Ended<br>June 30,<br>2018 |
|---|--------------------------------|
| Statutorily required OPEB contributions                         | \$ 46,777                      |
| Contributions in relation to statutorily required contributions | <u>46,777</u>                  |
| Contribution deficiency (excess)                                | <u>\$ -</u>                    |
| Library's covered payroll                                       | \$ 622,647                     |
| Contributions as a percentage of covered payroll                | 7.51%                          |

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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**COMBINING FUND FINANCIAL  
STATEMENTS**

# ANN ARBOR DISTRICT LIBRARY

## Combining Balance Sheet

Nonmajor Permanent Funds

June 30, 2018

|                            | Holtrey<br>Endowment | Keniston<br>Endowment | Total      |
|----------------------------|----------------------|-----------------------|------------|
| <b>Assets</b>              |                      |                       |            |
| Cash and cash equivalents  | \$ 334,514           | \$ 31,018             | \$ 365,532 |
| <b>Fund balances</b>       |                      |                       |            |
| Nonspendable -             |                      |                       |            |
| Permanent fund corpus      | \$ 300,000           | \$ 25,000             | \$ 325,000 |
| Restricted -               |                      |                       |            |
| Expendable permanent fund  | 34,514               | 6,018                 | 40,532     |
| <b>Total fund balances</b> | \$ 334,514           | \$ 31,018             | \$ 365,532 |

# ANN ARBOR DISTRICT LIBRARY

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Permanent Funds

For the Year Ended June 30, 2018

|                                  | Holtrey<br>Endowment | Keniston<br>Endowment | Totals            |
|----------------------------------|----------------------|-----------------------|-------------------|
| Revenues                         |                      |                       |                   |
| Interest income                  | \$ 769               | \$ 51                 | \$ 820            |
| Fund balances, beginning of year | <u>333,745</u>       | <u>30,967</u>         | <u>364,712</u>    |
| Fund balances, end of year       | <u>\$ 334,514</u>    | <u>\$ 31,018</u>      | <u>\$ 365,532</u> |

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