

Ann Arbor District  
Library



Year Ended  
June 30, 2015

Financial  
Statements

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# ANN ARBOR DISTRICT LIBRARY

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## INDEPENDENT AUDITORS' REPORT

November 16, 2015

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, the 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, 2015, 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, the major fund and the aggregate remaining fund information of the Ann Arbor District Library, as of June 30, 2015, 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. 68***

As described in Note 11, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* in the current year. Accordingly, beginning net position of governmental activities was restated. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***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 plan, 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 Johnson 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, 2015.

### Financial Highlights

- The Library implemented GASB Statement No. 68 in the current year. In addition to expanded disclosure requirements, the Library is required to report its proportionate share of the MPERS net pension liability on the statement of net position.
- Total net position of governmental activities was \$28,547,668. Of this amount, \$6,143,587 (unrestricted net position) may be used to meet the Library's ongoing obligations.
- The Library's total net position increased by \$209,511 during the year.
- As of the close of the current fiscal year, the Library's governmental funds reported combined ending fund balances of \$8,711,610, an increase of \$165,746 in comparison with the prior year. Approximately 92% or \$8,031,585 is available for spending at the Library's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,031,585 or 64% percent of total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis is intended to provide a basis of understanding the Library's basic financial statements. To simplify financial reporting and improve readability, the government-wide financial statements and the fund statements have been combined to report the statement of net position and governmental funds balance sheet on a single page and the statement of activities and governmental funds revenues, expenditures and changes in fund balance on a single page. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The government-wide financial statement portions of this combined reporting format 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 statement portions of this combined reporting format are designed to provide readers information on how the Library has complied with finance-related legal requirements.



## ANN ARBOR DISTRICT LIBRARY

### Management's Discussion and Analysis

**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.

**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 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 schedules.

# ANN ARBOR DISTRICT LIBRARY

## Management's Discussion and Analysis

### 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 \$28,547,668 at the close of the most recent fiscal year.

	Net Position	
	Governmental Activities	
	2015	2014
Current and other assets	\$ 9,150,625	\$ 9,323,616
Capital assets, net	22,040,931	21,919,628
<b>Total assets</b>	<b>31,191,556</b>	<b>31,243,244</b>
Deferred outflows of resources	182,874	-
Current and other liabilities	2,323,755	777,752
Long-term liabilities	294,648	229,951
<b>Total liabilities</b>	<b>2,618,403</b>	<b>1,007,703</b>
Deferred inflows of resources	208,359	-
Net position:		
Investment in capital assets	22,040,931	21,919,628
Restricted	363,150	362,571
Unrestricted	6,143,587	7,953,342
<b>Total net position</b>	<b>\$28,547,668</b>	<b>\$30,235,541</b>

# ANN ARBOR DISTRICT LIBRARY

## Management's Discussion and Analysis

	Change in Net Position	
	Governmental Activities	
	2015	2014
<b>Revenues</b>		
Property taxes, net	\$11,691,694	\$11,340,444
State penal fines	272,981	233,420
State aid	89,237	235,875
Interest income	135,319	180,715
Copier revenue	30,614	30,086
Grants and memorials	75,341	132,280
Library fines, fees and other	337,079	383,588
Non-resident fees	16,824	17,119
<b>Total revenues</b>	<u>12,649,089</u>	<u>12,553,527</u>
<b>Expenses</b>		
Personnel costs	7,552,406	7,731,392
Purchased services	1,095,602	1,164,250
Repairs and maintenance	590,452	323,049
Rent	180,293	196,756
Materials, supplies and expense	1,523,630	2,228,357
Other operating costs	566,656	416,667
Depreciation expense	930,539	703,397
<b>Total expenses</b>	<u>12,439,578</u>	<u>12,763,868</u>
<b>Change in net position</b>	209,511	(210,341)
<b>Net position:</b>		
Beginning of year	30,235,541	30,445,882
Restatement for implementation of GASB 68	(1,897,384)	-
<b>End of year</b>	<u>\$28,547,668</u>	<u>\$30,235,541</u>

As noted earlier, the Library increased net position during the year ended June 30, 2015 by \$209,511. 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 \$165,746 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, 2015, capital asset purchases exceeded depreciation expense and losses on the disposal of capital assets by \$121,303.

### 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 a government's net resources available for spending at the end of the fiscal year.

# ANN ARBOR DISTRICT LIBRARY

## Management's Discussion and Analysis

As of the end of the current fiscal year, the Library's governmental funds reported combined ending fund balances of \$8,711,610, an increase of \$165,746 in comparison with the prior year. Approximately 92% of this total amount (\$8.0 million) constitutes unassigned fund balance, which is available for spending at the Library's discretion.

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 \$8,031,585 while total fund balance was \$8,348,460. 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 64% and 67% of total general fund expenditures, respectively.

The fund balance of the Library's general fund increased by \$165,167, during the current fiscal year. The unassigned fund balance decreased by \$76,719.

### General Fund Budgetary Highlights

Differences between the original and final budgets for revenues and expenditures were relatively minor in relation to the overall budget amounts. Once additional information was known as the year progressed, subsequent budget amendments recognized certain additional expenditures.

Actual variances from the final amended budgets were minimal, except for the line items "Salaries and wages", "Employee benefits", and "Capital outlay/maintenance expense", where the actual expenditures were less than the final amended budget. Salaries and wages as well as Employee benefits are lower than budgeted due to the retirements and terminations of long-time employees. Additionally, the Manager of Circulation retired and was not replaced. Capital outlay/maintenance was less than expected due to the timing of the final payments for the front porch renovation.

**Capital Assets.** The Library's investment in capital assets as of June 30, 2015, amounted to \$22,040,931 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, and equipment.

	Library's Capital Assets (Net of Depreciation)	
	2015	2014
Land	\$ 2,108,183	\$ 2,108,183
Construction in progress	244,896	-
Buildings	18,743,793	19,000,650
Vehicles	39,742	24,031
Equipment	904,317	786,764
<b>Total capital assets, net</b>	<b><u>\$22,040,931</u></b>	<b><u>\$21,919,628</u></b>

Additional information on the Library's capital assets can be found in Note 4 to these financial statements.

The Library's long-term debt consisted of compensated absences. Refer to Note 5 to these 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 2015-2016 fiscal year:

- Focus on keeping products and services at the same levels as the past few years.
- Small increase in wages and benefits that are supported by a slight increase in the tax revenue.
- Continued focus on repairs and maintenance at all locations.

#### 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.

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**BASIC FINANCIAL STATEMENTS**

# ANN ARBOR DISTRICT LIBRARY

## Governmental Funds Balance Sheet/Statement of Net Position

June 30, 2015

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds	Adjustments	Statement of Net Position
<b>Assets</b>					
Cash and cash equivalents	\$ 2,763,564	\$ 363,150	\$ 3,126,714	\$ -	\$ 3,126,714
Investments	5,420,957	-	5,420,957	-	5,420,957
Due from other governmental units	320,058	-	320,058	-	320,058
Prepaid items	282,896	-	282,896	-	282,896
Capital assets not being depreciated	-	-	-	2,353,079	2,353,079
Capital assets being depreciated	-	-	-	19,687,852	19,687,852
<b>Total assets</b>	<b>\$ 8,787,475</b>	<b>\$ 363,150</b>	<b>\$ 9,150,625</b>	<b>22,040,931</b>	<b>31,191,556</b>
<b>Deferred outflows of resources</b>					
Deferred pension amounts				182,874	182,874
<b>Liabilities</b>					
Accounts payable	\$ 213,347	\$ -	\$ 213,347	-	213,347
Accrued payroll and benefits	225,668	-	225,668	-	225,668
Long-term liabilities:					
Due within one year	-	-	-	42,645	42,645
Due after one year	-	-	-	252,003	252,003
Net pension liability	-	-	-	1,884,740	1,884,740
<b>Total liabilities</b>	<b>439,015</b>	<b>-</b>	<b>439,015</b>	<b>2,179,388</b>	<b>2,618,403</b>
<b>Deferred inflows of resources</b>					
Deferred pension amounts				208,359	208,359
<b>Fund balances</b>					
Nonspendable:					
Prepaid items	282,896	-	282,896	(282,896)	
Permanent corpus	-	325,000	325,000	(325,000)	
Restricted -					
Endowments	-	38,150	38,150	(38,150)	
Assigned -					
Subsequent year appropriations	33,979	-	33,979	(33,979)	
Unassigned	8,031,585	-	8,031,585	-	
<b>Total fund balances</b>	<b>8,348,460</b>	<b>363,150</b>	<b>8,711,610</b>	<b>(680,025)</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 8,787,475</b>	<b>\$ 363,150</b>	<b>\$ 9,150,625</b>		
<b>Net position</b>					
Investment in capital assets				22,040,931	22,040,931
Restricted for endowments - nonexpendable				325,000	325,000
Restricted for endowments - expendable				38,150	38,150
Unrestricted				6,143,587	6,143,587
<b>Total net position</b>				<b>\$ 28,547,668</b>	<b>\$ 28,547,668</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, 2015

<b>Fund balances - total governmental funds</b>	<b>\$ 8,711,610</b>
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	32,265,106
Accumulated depreciation	(10,224,175)
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	(294,648)
Certain pension-related amounts, such as the net pension liability 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	(1,884,740)
Deferred outflows related to the net pension liability	182,874
Deferred inflows related to the net pension liability	(208,359)
<b>Net position of governmental activities</b>	<b><u>\$ 28,547,668</u></b>

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

# ANN ARBOR DISTRICT LIBRARY

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

Statement of Activities

Governmental Funds

For the Year Ended June 30, 2015

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds	Adjustments	Statement of Activities
<b>Revenues</b>					
Property taxes, net	\$ 11,691,694	\$ -	\$ 11,691,694	\$ -	\$ 11,691,694
State penal fines	272,981	-	272,981	-	272,981
State aid	89,237	-	89,237	-	89,237
Interest income	134,790	529	135,319	-	135,319
Copier revenue	30,614	-	30,614	-	30,614
Grants and memorials	75,291	50	75,341	-	75,341
Library fines, fees and other	337,079	-	337,079	-	337,079
Non-resident fees	16,824	-	16,824	-	16,824
<b>Total revenues</b>	<b>12,648,510</b>	<b>579</b>	<b>12,649,089</b>	<b>-</b>	<b>12,649,089</b>
<b>Expenditures/expenses</b>					
Current:					
Personnel costs	7,474,868	-	7,474,868	77,538	7,552,406
Purchased services	1,095,602	-	1,095,602	-	1,095,602
Repairs and maintenance	295,226	-	295,226	-	295,226
Rent	180,293	-	180,293	-	180,293
Materials and supplies	2,272,235	-	2,272,235	(748,605)	1,523,630
Other operating costs	508,147	-	508,147	58,509	566,656
Depreciation expense	-	-	-	930,539	930,539
Capital outlay/maintenance expense	656,972	-	656,972	(361,746)	295,226
<b>Total expenditures/expenses</b>	<b>12,483,343</b>	<b>-</b>	<b>12,483,343</b>	<b>(43,765)</b>	<b>12,439,578</b>
<b>Change in fund balance/net position</b>	<b>165,167</b>	<b>579</b>	<b>165,746</b>	<b>209,511</b>	<b>209,511</b>
Fund balance/net position, beginning of year, as restated	8,183,293	362,571	8,545,864	19,792,293	28,338,157
<b>Fund balance/net position, end of year</b>	<b>\$ 8,348,460</b>	<b>\$ 363,150</b>	<b>\$ 8,711,610</b>	<b>\$ 20,001,804</b>	<b>\$ 28,547,668</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, 2015

Net change in fund balances - total governmental funds	\$ 165,746
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	1,110,351
Depreciation expense	(930,539)
Loss on disposal of capital assets	(58,509)
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	(12,841)
Change in the accrual for compensated absences	(64,697)
Change in net position of governmental activities	<u>\$ 209,511</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, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		With Final Budget
<b>Revenues</b>				
Property taxes, net	\$ 11,637,000	\$ 11,637,000	\$ 11,691,694	\$ 54,694
State penal fines	225,000	225,000	272,981	47,981
State aid	80,000	80,000	89,237	9,237
Interest income	100,000	100,000	134,790	34,790
Copier revenue	30,000	30,000	30,614	614
Grants and memorials	90,000	90,000	75,291	(14,709)
Library fines, fees and other	380,000	380,000	337,079	(42,921)
Non-resident fees	15,000	15,000	16,824	1,824
<b>Total revenues</b>	<b>12,557,000</b>	<b>12,557,000</b>	<b>12,648,510</b>	<b>91,510</b>
<b>Expenditures</b>				
Current:				
Salaries and wages	5,843,000	5,843,000	5,648,900	194,100
Employee benefits	1,623,000	1,623,000	1,405,248	217,752
Employment taxes	457,000	457,000	420,720	36,280
Purchased services:				
Custodial services	200,000	200,000	174,963	25,037
Professional services	298,500	298,500	288,550	9,950
Utilities	448,000	448,000	378,603	69,397
Property insurance	90,000	90,000	74,916	15,084
Communications	185,000	185,000	178,570	6,430
Repairs and maintenance	312,000	312,000	295,226	16,774
Rent	200,000	200,000	180,293	19,707
Materials	1,775,000	1,775,000	1,753,782	21,218
Operating supplies and expenditures	586,513	586,513	518,453	68,060
Library programming	369,577	369,577	359,307	10,270
Seminars, conferences and travel	56,500	56,500	41,761	14,739
Grant and memorial expenditures	95,910	95,910	107,079	(11,169)
Capital outlay/maintenance expense	832,121	832,121	656,972	175,149
<b>Total expenditures</b>	<b>13,372,121</b>	<b>13,372,121</b>	<b>12,483,343</b>	<b>888,778</b>
<b>Net change in fund balances</b>	<b>(815,121)</b>	<b>(815,121)</b>	<b>165,167</b>	<b>980,288</b>
Fund balance, beginning of year	8,183,293	8,183,293	8,183,293	-
<b>Fund balance, end of year</b>	<b>\$ 7,368,172</b>	<b>\$ 7,368,172</b>	<b>\$ 8,348,460</b>	<b>\$ 980,288</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 1.55 mills for the year ending June 30, 2015. 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 ended June 30, 2015.

Major individual governmental funds are reported as separate columns in the fund 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.

# ANN ARBOR DISTRICT LIBRARY

## Notes to Financial Statements

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, 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 government.

The Library reports the following major governmental fund -

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

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 government programs.

When both restricted and unrestricted resources are available for use, it is the government'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.

#### ***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 June 30, 2015.

#### ***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.

# ANN ARBOR DISTRICT LIBRARY

## Notes to 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 \$1,000 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 fair value 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
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 liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date. More detailed information can be found in Note 8.

### *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.

### *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 related to pension costs. More detailed information can be found in Note 8.



# ANN ARBOR DISTRICT LIBRARY

## Notes to Financial Statements

### *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*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

## 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 on a functional basis.

	Total Appropriations	Amount of Expenditures	Budget Variance
Grant and memorial expenditures	\$ 95,910	\$ 107,079	\$ 11,169

# ANN ARBOR DISTRICT LIBRARY

## Notes to Financial Statements

### 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	\$ 3,126,714
Investments	<u>5,420,957</u>
<b>Total</b>	<b><u>\$ 8,547,671</u></b>

These balances are disclosed in the notes as follows:

Petty cash	\$ 2,450
Bank deposits:	
Checking and savings accounts	3,124,264
Certificates of deposit	445,877
Investments	<u>4,975,080</u>
	<b><u>\$ 8,547,671</u></b>

**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	10/14/2016	\$ 251,401	Moody's - AAA
U.S. Government Agencies	11/18/2016	150,630	Moody's - AAA
U.S. Government Agencies	11/25/2016	300,210	Moody's - AAA
U.S. Government Agencies	07/24/2017	99,975	Moody's - AAA
U.S. Government Agencies	08/28/2017	200,225	Moody's - AAA
U.S. Government Agencies	12/06/2017	51,940	Moody's - AAA
U.S. Government Agencies	09/23/2019	225,731	Moody's - AAA
U.S. Government Agencies	10/28/2019	198,831	Moody's - AAA
U.S. Government Agencies	02/13/2020	222,957	Moody's - AAA
U.S. Government Agencies	05/04/2020	99,410	Moody's - AAA
U.S. Government Agencies	11/09/2021	222,152	Moody's - AAA
U.S. Government Agencies	02/25/2022	49,473	Moody's - AAA
U.S. Government Agencies	06/27/2022	98,521	Moody's - AAA
U.S. Government Agencies	04/28/2023	219,292	S&P - AA+
U.S. Government Agencies	08/25/2023	198,131	Moody's - AAA
U.S. Government Agencies	11/01/2024	48,568	Moody's - AAA
U.S. Government Agencies	12/30/2019	200,668	Moody's - AAA
U.S. Government Agencies	12/27/2027	296,680	Moody's - AAA
Municipal Bonds	05/01/2016	51,322	S&P - AA-
Municipal Bonds	05/01/2017	105,921	Moody's - AA2
Municipal Bonds	04/01/2018	99,839	S&P - AA-
Municipal Bonds	05/01/2018	80,177	S&P - AA
Municipal Bonds	05/01/2018	75,392	S&P - AA-
Municipal Bonds	05/01/2018	126,169	S&P - AA-
Municipal Bonds	05/15/2018	102,230	Moody's - AA1
Municipal Bonds	05/01/2019	160,770	Moody's - AA1
Municipal Bonds	05/01/2019	50,515	S&P - AA-
Municipal Bonds	10/01/2020	107,554	S&P - AA
Municipal Bonds	11/01/2020	54,862	Moody's - AA2
Municipal Bonds	06/01/2023	195,656	S&P - AA-
Municipal Bonds	04/01/2024	54,911	Moody's - AAA
Municipal Bonds	04/01/2025	51,666	Moody's - AAA
Tax Exempt Municipal Bonds	10/01/2022	99,738	Moody's - AAA
Mutual Funds	N/A	158,000	N/A
Money Market	N/A	227,184	N/A
Money Market	N/A	9,457	N/A
Money Market	N/A	28,922	N/A
		<u>\$ 4,975,080</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, \$1,610,074 of the Library's bank balance of \$3,863,924 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.

# ANN ARBOR DISTRICT LIBRARY

## Notes to Financial Statements

### 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Capital assets not being depreciated:</b>				
Land	\$ 2,108,183	\$ -	\$ -	\$ 2,108,183
Construction in progress	-	244,896	-	244,896
<b>Total capital assets not being depreciated</b>	<b>2,108,183</b>	<b>244,896</b>	<b>-</b>	<b>2,353,079</b>
<b>Capital assets being depreciated:</b>				
Land improvements	39,048	-	-	39,048
Buildings and improvements	26,027,639	268,893	-	26,296,532
Vehicles	108,889	23,280	(39,701)	92,468
Communications equipment	431,035	44,744	(2,098)	473,681
Computer equipment	1,361,944	258,837	(409,126)	1,211,655
Furniture and equipment	1,222,035	263,626	(420,651)	1,065,010
Other equipment	770,195	6,075	(42,637)	733,633
<b>Total capital assets being depreciated</b>	<b>29,960,785</b>	<b>865,455</b>	<b>(914,213)</b>	<b>29,912,027</b>
<b>Less accumulated depreciation for:</b>				
Land improvements	(17,601)	(1,805)	-	(19,406)
Buildings and improvements	(7,026,989)	(525,750)	-	(7,552,739)
Vehicles	(84,858)	(7,569)	39,701	(52,726)
Communications equipment	(424,137)	(37,932)	1,888	(460,181)
Computer equipment	(1,230,244)	(210,852)	405,963	(1,035,133)
Furniture and equipment	(829,072)	(133,288)	365,935	(596,425)
Other equipment	(536,439)	(13,343)	42,217	(507,565)
<b>Total accumulated depreciation</b>	<b>(10,149,340)</b>	<b>(930,539)</b>	<b>855,704</b>	<b>(10,224,175)</b>
<b>Total capital assets being depreciated, net</b>	<b>19,811,445</b>	<b>(65,084)</b>	<b>(58,509)</b>	<b>19,687,852</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 21,919,628</b>	<b>\$ (65,084)</b>	<b>\$ (58,509)</b>	<b>\$ 22,040,931</b>

# ANN ARBOR DISTRICT LIBRARY

## Notes to Financial Statements

### 5. LONG-TERM DEBT

The following is a summary of long-term debt outstanding of the Library for the year ended June 30, 2015:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Compensated absences	\$ 229,951	\$ 107,342	\$ (42,645)	\$ 294,648	\$ 42,645

Compensated absences are generally liquidated by the general fund.

### 6. 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
2016	\$ 77,151
2017	561,478
2018	566,074
2019	546,251
2020	531,119
Total	<u>\$ 2,282,073</u>

Total rental expense under the above leases for the year ended June 30, 2015 was \$180,293.

### 7. 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 MPSERS 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 MPSERS 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.

# ANN ARBOR DISTRICT LIBRARY

## Notes to Financial Statements

### 8. RETIREMENT PLAN

#### *General Information about the Pension Plan*

*Plan Description.* The Library contributes to the Michigan Public School Employees Retirement System ("MPSERS"), a cost-sharing multiple-employer pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Services with oversight from a 12-member board. Benefit provisions are established and may be amended by state statute. The Office of Retirement Services issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report can be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling (517) 322-5103.

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

Plan Name	Plan Type	Plan Status
Member Investment Plan (MIP)	Defined Benefit	Closed
Basic	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

The *Member Investment Plan (MIP)* includes additional subgroups based on hire date. The *MIP Fixed* plan includes members hired prior to January 1, 1990. The *MIP Graded* plan includes members first hired from January 1, 1990 through June 30, 2008. The *MIP Plus* plan includes members first hired from July 1, 2008 through June 30, 2010. Members who initially enrolled in the MIP plan and made a voluntary election to contribute a higher rate are participants in the *MIP 7% plan*.

Members hired between July 1, 2010 and September 3, 2012 were enrolled in the *Pension Plus* plan. Members hired on or after September 4, 2012 are automatically enrolled in this plan unless an election is made to participate in the defined contribution plan. The plan includes a pension component as well as a savings component. Member contributions to the savings component are matched at a rate of 50% by the employer (up to a maximum of 1%) and invested in a 401(k) plan.

Effective February 1, 2013, members that initially enrolled in MIP were provided the option to convert to a defined contribution plan (*Basic 4%*). In these instances, any service credit accumulated under the defined benefit plan before February 1, 2013 is retained. For service performed after this date, the converted plan member receives 4% employer contributions to a personal 401(k) account.

A member first enrolling in MPSERS on or after September 4, 2012 may elect to enroll in the *defined contribution* plan. Employer and employee contribution rates and vesting requirements are consistent with the defined contribution component of the Pension Plus plan as described above.

# ANN ARBOR DISTRICT LIBRARY

## Notes to Financial Statements

*Benefits Provided.* MPSERS provides retirement, death, disability and postemployment benefits to eligible participants. Retirement benefits are calculated as a percentage of the employee's final average compensation times the employee's years of service. All participants qualify for a benefit multiplier of 1.5% for the first 30 years of service. Certain benefit groups receive a reduced rate of 1.25% for service above 30 years. Disability benefits are calculated the same as regular service retirement. Participants are eligible to receive full retirement benefits upon reaching the age and years of service requirements below. Most plans offer additional options for early retirement if certain stipulations have been met. Voluntary contributions vest immediately.

Plan	Eligibility Based on Years of Service	Vesting
Member Investment Plan (MIP)	Age 46 with 30 years or age 60 with 10 years	10 years
Basic	Age 55 with 30 years or Age 60 with 10 years	10 years
Pension Plus	Age 60 with 10 years	4 years
Defined Contribution	Age 46 with 30 years or age 60 with 10 years	4 years

*Contributions.* Employer contributions to the plans are based on a percentage of covered payroll that has been actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Member contributions are determined based on date of hire and the plan selected. In addition, the Library is invoiced monthly an amount that approximates 7.63% of covered payroll for "MPSERS UAAL Stabilization." This additional contribution is offset by monthly State aid payments equal to the amounts actually billed by the Office of Retirement Services. For the plan year ended September 30, 2015, an additional 1.13% MPSERS liability prepayment was invoiced as a one-time cost. Employer contribution requirements for pension, inclusive of the MPSERS UAAL Stabilization and one-time prepayment rates, range from 27.52% to 31.83% of covered payroll. Plan member contributions range from 0.0% to 7.0% of covered payroll.

The Library's contribution to MPSERS under all pension plans for the year ended June 30, 2015, inclusive of the MPSERS UAAL Stabilization and one-time prepayment, was \$138,801.

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

At June 30, 2015, the Library reported a liability of \$1,884,740 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The Library's proportion of the net pension liability was based on a projection of the Library's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2014, the Library's proportion (as calculated by MPSERS) was 0.00856%.



# ANN ARBOR DISTRICT LIBRARY

## Notes to Financial Statements

For the year ended June 30, 2015, the Library recognized pension expense of \$152,669. At June 30, 2015, the Library reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Changes in assumptions	\$ 69,543	\$ -	\$ 69,543
Net difference between projected and actual earnings on pension plan investments	-	208,359	(208,359)
	<u>69,543</u>	<u>208,359</u>	<u>(138,816)</u>
Library contributions subsequent to the measurement date	113,331	-	113,331
	<u>113,331</u>	<u>-</u>	<u>113,331</u>
<b>Total</b>	<u>\$ 182,874</u>	<u>\$ 208,359</u>	<u>\$ (25,485)</u>

The amount of deferred outflows of resources related to Library contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2016	\$ (34,006)
2017	(34,006)
2018	(34,006)
2019	<u>(36,798)</u>
<b>Total</b>	<u>\$ (138,816)</u>

*Actuarial Assumptions.* The total pension liability in the September 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.5%
Salary increases	3.5% to 12.3%, including wage inflation at 3.5%
Investment rate of return	8% (7% for the Pension Plus plan)
Cost of living adjustments	3.0% annual, non-compounded for MIP members
Healthcare cost trend rate	8.5% year 1 graded to 3.5% year 12

The mortality table used in this valuation was the RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. 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.

# ANN ARBOR DISTRICT LIBRARY

## Notes to Financial Statements

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	4.80%	1.34%
Alternative investment pools	18.00%	8.50%	1.53%
International equity pools	16.00%	6.10%	0.98%
Fixed income pools	10.50%	1.50%	0.16%
Real estate and infrastructure pools	10.00%	5.30%	0.53%
Absolute return pools	15.50%	6.30%	0.98%
Short-term investment pools	2.00%	-0.20%	-0.02%
	100.00%		5.50%
Inflation			2.50%
<b>Investment rate of return</b>			<b>8.00%</b>

*Discount Rate.* The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Library contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# ANN ARBOR DISTRICT LIBRARY

## Notes to Financial Statements

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The following presents the net pension liability of the Library, calculated using the discount rate of 8.0%, as well as what the Library's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.0%) or 1% higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.00%)
Library's proportionate share of the net pension liability	\$ 2,484,865	\$ 1,884,740	\$ 1,379,125

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS 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 Plan.* At June 30, 2015, the Library reported a payable of \$3,884 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2015.

### Other Postemployment Benefits

Retirees enrolled in MPERS before September 4, 2012 have the option of participating in the *Premium Subsidy* plan, a defined benefit postemployment healthcare plan, which is funded by employers on a cash disbursement basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPERS with the balance deducted from the monthly pension. Employer contributions range from 2.20% to 2.71% of covered payroll. Plan participants contribute 3% of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that covers up to 80% of cost.

Plan members enrolled on or after September 4, 2012 participate in the *Personal Healthcare Fund*. This defined contribution other postemployment benefits plan includes a required 2% employee contribution into a personal tax-deferred account, which is matched by an additional 2% employer contribution. Employees are fully vested in these contributions which can be used, along with earnings thereon, to pay for postemployment healthcare expenses. Plan members working prior to September 4, 2012 were given the option to convert from the Premium Subsidy plan to the Personal Healthcare Fund option. Effective February 1, 2013, these members are no longer required to make the 3% employee contribution. Amounts paid into the Retiree Healthcare Fund between September 4, 2012 and February 1, 2013 were credited to each individual's Personal Healthcare Fund account. Any contributions made prior to September 4, 2012 are pending a Supreme Court resolution.

The Library's contributions to MPERS for other postemployment benefits amounted to \$22,271 for the year ended June 30, 2015.

# ANN ARBOR DISTRICT LIBRARY

## Notes to Financial Statements

### 9. 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, 2015, were \$389,197 and \$274,207, respectively. At June 30, 2015, there were 89 employees participating in the plan.

### 10. 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.

### 11. RESTATEMENTS

The Library adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result of this change, beginning net position of governmental activities was decreased by \$1,897,384.



**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
Library's proportion of the net pension liability	0.00856%
Library's proportionate share of the net pension liability	\$ 1,884,740
Library's covered-employee payroll	\$ 725,594
Library's proportionate share of the net pension liability as a percentage of its covered-employee payroll	259.75%
Plan fiduciary net position as a percentage of the total pension liability	66.20%

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 Contributions

	Year Ended June 30, 2015
Contractually required contribution	\$ 138,801
Contributions in relation to the contractually required contribution	<u>(138,801)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Library's covered-employee payroll	\$ 630,127
Contributions as a percentage of covered employee payroll	22.0%

Note: GASB 68 was implemented in fiscal year 2015. 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, 2015

	Holtrey Endowment	Keniston Endowment	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 332,744	\$ 30,406	\$ 363,150
<b>Fund balances</b>			
Nonspendable -			
Permanent fund corpus	\$ 300,000	\$ 25,000	\$ 325,000
Restricted -			
Expendable permanent fund	32,744	5,406	38,150
<b>Total fund balances</b>	\$ 332,744	\$ 30,406	\$ 363,150

# ANN ARBOR DISTRICT LIBRARY

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

Nonmajor Permanent Funds  
For the Year Ended June 30, 2015

	Holtrey Endowment	Keniston Endowment	Totals
<b>Revenues</b>			
Investment income	\$ 499	\$ 30	\$ 529
<b>Expenditures</b>	-	-	-
<b>Net change in fund balances</b>	499	80	579
Fund balances, beginning of year	332,245	30,326	362,571
<b>Fund balances, end of year</b>	<u>\$ 332,744</u>	<u>\$ 30,406</u>	<u>\$ 363,150</u>

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