

Shiawassee  
District Library



Year Ended  
November 30,  
2020

Financial  
Statements

**Rehmann**

# SHIAWASSEE DISTRICT LIBRARY

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## INDEPENDENT AUDITORS' REPORT

April 29, 2021

Board of Directors  
Shiawassee District Library  
Owosso, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *Shiawassee District Library* (the "Library"), as of and for the year ended November 30, 2020, 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 of material misstatement.

An audit involves performing procedures to obtain 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinions.

Rehmann is an independent member of Nexia International.



## ***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 Library as of November 30, 2020, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund and the major special revenue fund for the year ended in conformity with accounting principles generally accepted in the United States of America.

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules related to 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.

*Rehmann Lobson LLC*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# SHIAWASSEE DISTRICT LIBRARY

## Management's Discussion and Analysis

As management of the Shiawassee District Library (the "Library"), we offer readers of the Library financial statements this narrative review and analysis of the financial activities for the year ended November 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Financial Highlights

· Total net position	\$	2,077,376
· Change in total net position		33,336
· Fund balances, governmental funds		1,935,351
· Change in fund balances, governmental funds		31,996
· Unassigned fund balance, general fund		540,636
· Change in fund balance, general fund		20,328

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements including the management's discussion and analysis.

### Government-wide Statements

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 residual balance 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 Library'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 past or future fiscal periods (for instance, depreciation expense associated with capital assets).

Both of the government-wide financial statements display functions of the Library that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The Library had no business-type activities as of and for the year ended November 30, 2020.

# SHIAWASSEE DISTRICT LIBRARY

## Management's Discussion and Analysis

**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 Library, like other units of state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** *Governmental funds* are used to account for essentially the same function reported 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 the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the 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 funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Library maintains three governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balance for the general fund and Helen Thome Trust special revenue fund, each of which is a major fund for financial reporting purposes as defined by GASB Statement No. 34.

The Library adopts an annual appropriated budget for the general and special revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the Library's financial statements.

## SHIAWASSEE DISTRICT LIBRARY

### Management's Discussion and Analysis

The following summarizes the government-wide statement of net position on an entity-wide basis as of November 30:

	2020	2019
<b>Assets</b>		
Current and other assets	\$ 1,966,324	\$ 1,933,477
Capital assets, net	<u>219,325</u>	<u>248,554</u>
<b>Total assets</b>	<u>2,185,649</u>	<u>2,182,031</u>
<b>Deferred outflows of resources</b>	<u>70,387</u>	<u>164,074</u>
<b>Liabilities</b>		
Long-term liabilities	43,233	68,146
Other liabilities	<u>56,566</u>	<u>149,975</u>
<b>Total liabilities</b>	<u>99,799</u>	<u>218,121</u>
<b>Deferred inflows of resources</b>	<u>78,861</u>	<u>83,944</u>
<b>Net position</b>		
Investment in capital assets	219,325	248,554
Restricted	1,195,233	1,183,565
Unrestricted	<u>662,818</u>	<u>611,921</u>
<b>Total net position</b>	<u>\$ 2,077,376</u>	<u>\$ 2,044,040</u>

The decrease in deferred outflows of resources and total liabilities is a result of the decrease in the net pension liability mainly due to the Plan having a net investment income of \$260,493 in 2020 compared to a net investment loss of \$80,305 in 2019.



# SHIAWASSEE DISTRICT LIBRARY

## Management's Discussion and Analysis

The following summarizes the government-wide statement of activities for the years ended November 30:

	2020	2019
<b>Program revenues</b>		
Charges for services	\$ 8,359	\$ 14,331
Operating grants and contributions	79,090	92,982
<b>General revenues</b>		
Property taxes	769,314	753,060
District Court penal fines	55,356	57,612
State revenue	32,477	30,366
Unrestricted investment income	1,973	2,579
<b>Total revenues</b>	946,569	950,930
<b>Expenses</b>		
Library services	913,233	904,933
<b>Change in net position</b>	33,336	45,997
<b>Net position</b>		
Beginning of year	2,044,040	1,998,043
End of Year	\$ 2,077,376	\$ 2,044,040

### The Library as a Whole

The Library's net position was \$2,077,376 on a full accrual basis. This represents an increase of \$33,336 compared to the prior year.

The Library's primary source of revenue is from property taxes. For 2020, total tax collections were \$769,314, which represent 81 percent of total revenue. Property tax revenues remained fairly consistent with prior year.

Operating grants and contributions decreased in 2020 by \$13,892, mostly due to the Library being closed for four months due to the pandemic and not collecting fines and fees for services during that time.

Salaries and fringe benefits continue to be significant expenses of the Library, representing 73 percent of the Library's total expenses for 2020.

# SHIAWASSEE DISTRICT LIBRARY

## Management's Discussion and Analysis

### Financial Analysis of the Library's Funds

The fund balance of the general fund increased by \$20,328 for the year.

Library materials, at \$88,631, was the second largest expenditure (after salaries and fringe benefits) of the Library, representing 10 percent of the Library's general fund total expenditures under the modified accrual basis for the year ended November 30, 2020 compared to 12 percent in 2019.

The Library board has assigned funds to help manage money for specific purposes, such as building (furnishings) expansion and other capital improvements and technology upgrades.

The fund balance of the special revenue fund - Helen Thome Trust increased \$14,833 for the year. This increase is mainly due to interest and dividend on the Library's Edward Jones investments.

The Permanent Fund - Staff Scholarship Fund was created in 2008 to account for donations made to the Kenneth and Suzanne Uptigrove Scholarship Fund. The original donation of \$10,000 is nonspendable. Additional donations to the fund and interest earned on these funds can be spent and are restricted to be used for scholarships for the employees of the Library. Four scholarships of \$3,516 in total were granted during 2020 and none for 2019.

### General Fund Budgetary Highlights

The 2019-2020 budget was adopted keeping in mind the continuing state of the state's economy and its effects on property tax and other forms of revenue. The Library, overall, was in line with the budget on most expected revenues sources.

The differences between the original budget and final amended budget for expenditures resulted in a \$21,184 or 2% decrease in expenditures original to final amended budget. The original budget and final amended budget for revenues resulted in a \$21,136 or 2% increase. The original and final budget show a decrease of \$91,730 and \$19,410, respectively, in fund balance.

Significant changes from original budget to final amended budget are as follows:

- Property taxes increased by \$17,301 due to a deposit from April for \$21,000 that was not included in the original budget and was initially underestimated.
- Salaries and wages decreased by \$27,800 due to substitutes and pages being laid off during the pandemic closure and lower staffing costs for summer and fall library programs due to not being able to have in-person programs.
- Professional services decreased by \$11,135 due to two refunds from Michigan Municipal Risk Management Authority (MMRMA) received in the prior year for the Library's distribution of excess net assets.
- Maintenance and repairs increased by \$12,600 due to the fact that when changing out the flooring in the children's room, a portion of the space had asbestos and needed remediation.
- Library materials decreased by \$24,094 due to the purchase of less material due to lower demand and unavailability of resources resulting from the pandemic.

# SHIAWASSEE DISTRICT LIBRARY

## Management's Discussion and Analysis

Significant actual to budget variances are as follows:

- Salaries and wages were over budget by \$13,280 due to the budget not appropriately reflecting the number of pay periods remaining in the fiscal year at budget revision.
- Library materials were under budget by \$23,725 due to the need for fewer items due to the pandemic closure.

### Capital Assets and Debt Administration

At the end of the fiscal year, the Library had \$219,325 (net of accumulated depreciation) invested in furniture, equipment, books, and materials. In 2020, the Library added \$53,823 in new collection items, consisting mainly of books, video materials, audio books, and music CDs.

The Library carries no long-term debt other than compensated absences.

Additional information on the Library's capital assets and long-term debt can be found in the notes to the financial statements.

### Economic Condition and Outlook

The library is pleased to see that revenue sources have generally remained stable in an unpredictable economy. However, we do anticipate some loss in penal fines and property taxes for the 2020-2021 fiscal year as well as increase in some costs due to the pandemic.

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. As of the date of these financial statements, the outbreak has negatively impacted economic markets, business operations and the provision of many governmental services. Management anticipates the pandemic will have a negative impact on the Library with respect to financial operations and investment results; however, the extent of the impact is uncertain and cannot be reasonably predicted at this time.

### Requests for Information

This financial report is designed to provide a general overview of the Library's finances, and to demonstrate the Library's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Kimberly White, Shiawassee District Library, 502 West Main Street, Owosso, MI 48867.

## **BASIC FINANCIAL STATEMENTS**

# SHIAWASSEE DISTRICT LIBRARY

## Statement of Net Position

November 30, 2020

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,120,760
Investments	843,682
Receivables	1,882
Capital assets being depreciated, net	<u>219,325</u>
<b>Total assets</b>	<u>2,185,649</u>
<b>Deferred outflows of resources</b>	
Deferred pension amounts	<u>70,387</u>
<b>Liabilities</b>	
Payables and accrued liabilities	30,973
Accrued employee benefits:	
Due in one year	4,323
Due in more than one year	38,910
Net pension liability, due in more than one year	<u>25,593</u>
<b>Total liabilities</b>	<u>99,799</u>
<b>Deferred inflows of resources</b>	
Deferred pension amounts	<u>78,861</u>
<b>Net position</b>	
Investment in capital assets	219,325
Restricted:	
Endowments (nonexpendable)	10,000
Library materials and equipment	1,175,122
Staff scholarships	10,111
Unrestricted	<u>662,818</u>
<b>Total net position</b>	<u><u>\$ 2,077,376</u></u>

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

# SHIAWASSEE DISTRICT LIBRARY

## Statement of Activities

For the Year Ended November 30, 2020

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
<b>Governmental activities</b>				
Library services	\$ 913,233	\$ 8,359	\$ 79,090	\$ (825,784)
<b>General revenues</b>				
Property taxes				769,314
District court penal fines				55,356
State revenue				32,477
Unrestricted investment earnings				1,973
<b>Total general revenues</b>				859,120
<b>Change in net position</b>				33,336
Net position, beginning of year				2,044,040
<b>Net position, end of year</b>				\$ 2,077,376

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

# SHIAWASSEE DISTRICT LIBRARY

## Balance Sheet

Governmental Funds  
November 30, 2020

	Nonmajor Fund			Total
	General Fund	Special Revenue Fund - Helen Thome Trust	Permanent Fund - Staff Scholarship Fund	
<b>Assets</b>				
Cash and cash equivalents	\$ 769,209	\$ 331,440	\$ 20,111	\$ 1,120,760
Investments	-	843,682	-	843,682
Accounts receivable	1,882	-	-	1,882
<b>Total assets</b>	<b>\$ 771,091</b>	<b>\$ 1,175,122</b>	<b>\$ 20,111</b>	<b>\$ 1,966,324</b>
<b>Liabilities</b>				
Accounts payable	\$ 16,182	\$ -	\$ -	\$ 16,182
Accrued liabilities	14,791	-	-	14,791
<b>Total liabilities</b>	<b>30,973</b>	<b>-</b>	<b>-</b>	<b>30,973</b>
<b>Fund balances</b>				
Nonspendable	-	-	10,000	10,000
Restricted:				
Library materials and equipment	-	1,175,122	-	1,175,122
Staff scholarships	-	-	10,111	10,111
Assigned:				
Building expansion	115,000	-	-	115,000
Durand lease	2,500	-	-	2,500
Digitalization projects	3,450	-	-	3,450
Equipment replacement	20,000	-	-	20,000
Literacy support	923	-	-	923
Penal fine stabilization	57,609	-	-	57,609
Unassigned	540,636	-	-	540,636
<b>Total fund balances</b>	<b>740,118</b>	<b>1,175,122</b>	<b>20,111</b>	<b>1,935,351</b>
<b>Total liabilities and fund balances</b>	<b>\$ 771,091</b>	<b>\$ 1,175,122</b>	<b>\$ 20,111</b>	<b>\$ 1,966,324</b>

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

## SHIAWASSEE DISTRICT LIBRARY

### Reconciliation

Fund Balances for Governmental Funds  
to Net Position of Governmental Activities  
November 30, 2020

<b>Fund balances - total governmental funds</b>	\$ 1,935,351
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 being depreciated, net	219,325
Certain liabilities, such as compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences payable	(43,233)
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	(25,593)
Deferred outflows related to the pension plan	70,387
Deferred inflows related to the pension plan	(78,861)
<b>Net position of governmental activities</b>	<u><u>\$ 2,077,376</u></u>

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



## SHIAWASSEE DISTRICT LIBRARY

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

Governmental Funds

For the Year Ended November 30, 2020

	General Fund	Special Revenue Fund - Helen Thome Trust	Nonmajor Fund		Total
			Permanent Fund - Staff Scholarship Fund		
<b>Revenues</b>					
Property taxes	\$ 769,314	\$ -	\$ -	\$ -	\$ 769,314
Penal fines	55,356	-	-	-	55,356
State aid	32,477	-	-	-	32,477
Fines & fees	8,359	-	-	-	8,359
Investment income	1,976	74,833	351		77,160
Donations	3,903	-	-	-	3,903
<b>Total revenues</b>	<b>871,385</b>	<b>74,833</b>	<b>351</b>		<b>946,569</b>
<b>Expenditures</b>					
Salaries and wages	541,980	-	-	-	541,980
Payroll taxes	41,618	-	-	-	41,618
Employee benefits	66,198	-	-	-	66,198
Pension	17,978	-	-	-	17,978
Supplies	10,639	-	-	-	10,639
Professional services	20,964	-	-	-	20,964
Membership and dues	2,057	-	-	-	2,057
Education and training	175	-	3,516		3,691
Utilities	20,695	-	-	-	20,695
Maintenance and repairs	32,101	-	-	-	32,101
Library materials	88,631	-	-	-	88,631
Postage	1,619	-	-	-	1,619
State aid	24,299	-	-	-	24,299
Capital Outlay	42,103	-	-	-	42,103
<b>Total expenditures</b>	<b>911,057</b>	<b>-</b>	<b>3,516</b>		<b>914,573</b>
Revenues (under) over expenditures	(39,672)	74,833	(3,165)		31,996
<b>Other financing sources (uses)</b>					
Transfers in	60,000	-	-	-	60,000
Transfers out	-	(60,000)	-	-	(60,000)
<b>Total other financing sources (uses)</b>	<b>60,000</b>	<b>(60,000)</b>	<b>-</b>		<b>-</b>
<b>Net change in fund balances</b>	<b>20,328</b>	<b>14,833</b>	<b>(3,165)</b>		<b>31,996</b>
Fund balances, beginning of year	719,790	1,160,289	23,276		1,903,355
<b>Fund balances, end of year</b>	<b>\$ 740,118</b>	<b>\$ 1,175,122</b>	<b>\$ 20,111</b>		<b>\$ 1,935,351</b>

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

## SHIAWASSEE DISTRICT LIBRARY

### Reconciliation

Net Change in Fund Balances of Governmental Funds  
to Change in Net Position of Governmental Activities  
For the Year Ended November 30, 2020

<b>Net change in fund balances - total governmental funds</b>	\$	31,996
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Amounts reported for *governmental activities* 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	53,823
Depreciation expense	(83,052)

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 statement of revenues, expenditures and changes in fund balances.

Change in compensated absences payable	24,913
Change in the net pension liability and related deferred amounts	5,656

<b>Change in net position of governmental activities</b>	<u>\$</u>	<u>33,336</u>
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The accompanying notes are an integral part of these financial statements.

## SHIAWASSEE DISTRICT LIBRARY

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

Budget and Actual - General Fund

For the Year Ended November 30, 2020

	Original Budget	Amended Budget	Actual	Actual Over (Under) Amended Budget
<b>Revenues</b>				
Property taxes	\$ 752,000	\$ 769,301	\$ 769,314	\$ 13
Penal fines	54,900	55,355	55,356	1
State aid	22,300	31,052	32,477	1,425
Fines & fees	13,200	6,200	8,359	2,159
Interest income	1,900	1,625	1,976	351
Donation income	2,000	3,903	3,903	-
<b>Total revenues</b>	<b>846,300</b>	<b>867,436</b>	<b>871,385</b>	<b>3,949</b>
<b>Expenditures</b>				
Salaries and wages	556,500	528,700	541,980	13,280
Payroll taxes	44,700	42,300	41,618	(682)
Employee benefits	78,220	74,220	66,198	(8,022)
Pension	23,000	19,000	17,978	(1,022)
Supplies	15,000	13,000	10,639	(2,361)
Professional services	33,700	22,565	20,964	(1,601)
Membership and dues	2,600	2,500	2,057	(443)
Education and training	3,100	1,000	175	(825)
Utilities	27,860	21,750	20,695	(1,055)
Maintenance and repairs	21,400	34,000	32,101	(1,899)
Library materials	136,450	112,356	88,631	(23,725)
Postage	3,200	2,300	1,619	(681)
State aid	22,300	31,052	24,299	(6,753)
Capital Outlay	-	42,103	42,103	-
<b>Total expenditures</b>	<b>968,030</b>	<b>946,846</b>	<b>911,057</b>	<b>(35,789)</b>
Revenue under expenditures	(121,730)	(79,410)	(39,672)	39,738
<b>Other financing sources</b>				
Transfers in	30,000	60,000	60,000	-
<b>Net change in fund balance</b>	<b>(91,730)</b>	<b>(19,410)</b>	<b>20,328</b>	<b>39,738</b>
Fund balance, beginning of year	719,790	719,790	719,790	-
<b>Fund balance, end of year</b>	<b>\$ 628,060</b>	<b>\$ 700,380</b>	<b>\$ 740,118</b>	<b>\$ 39,738</b>

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

## SHIAWASSEE DISTRICT LIBRARY

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

Budget and Actual - Helen Thome Trust Special Revenue Fund

For the Year Ended November 30, 2020

	Original Budget	Amended Budget	Actual	Actual Over (Under) Amended Budget
<b>Revenues</b>				
Investment income	\$ -	\$ 60,000	\$ 74,833	\$ 14,833
<b>Other financing uses</b>				
Transfers out	-	(60,000)	(60,000)	-
<b>Net change in fund balance</b>	-	-	14,833	14,833
Fund balance, beginning of year	1,160,289	1,160,289	1,160,289	-
<b>Fund balance, end of year</b>	<u>\$ 1,160,289</u>	<u>\$ 1,160,289</u>	<u>\$ 1,175,122</u>	<u>\$ 14,833</u>

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

## **NOTES TO FINANCIAL STATEMENTS**

# SHIAWASSEE DISTRICT LIBRARY

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Effective July 1, 1994, the Library of Owosso, the Library of Durand, and Bennington, Owosso, and Rush Townships signed a district library agreement, creating the Shiawassee District Library (the "Library") and is comprised of all the territory within these jurisdictional limits. The Library is funded through property taxes, fines, fees, grants, state aid, and donations. The voters of the library district approved a 1.25 mill tax for a 10-year period, which began with a tax levy effective December 31, 2011. This millage provides for funding of Library operations through December 1, 2021.

The Library has two branches located in Owosso and Durand. The Library is governed by an eight-member board. The board consists of three members appointed by the Library of Owosso, two members appointed by the Library of Durand, and three members appointed collectively by the townships. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

The accounting policies of the Library conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### ***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 nonfiduciary activities of the primary government and its component units. 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 reported no business-type activities for the year ended November 30, 2020.

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, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The Library reported no proprietary or fiduciary funds for the year ended November 30, 2020.

# SHIAWASSEE 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 funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when 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. The Library considers all revenues reported in the governmental funds to be available if they are collected within 60 days after year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and as such 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 the financial resources of the Library, except those accounted for and reported in another fund.

The *Helen Thome Trust special revenue fund* is used to account for the activity related to the donation from the Helen Thome Trust to be used for the purchase of library materials, furnishings, and equipment. The donor specified that both principal and interest can be used for these specific purposes. Transfers of \$60,000 were made to the general fund during the year.

Additionally, the Library reports the following fund type:

The *Staff Scholarship permanent fund* is used to account for donations made to the Kenneth and Suzanne Uptigrove Scholarship Fund. This fund is set up to provide scholarships to the Library's staff and families. The original contributions made of \$10,000 to the fund is nonspendable and only further contributions and interest may be used for scholarships; however, limitations shall not apply if the donor specifies otherwise. Also, no scholarships may be awarded unless fund balance exceeds \$10,000 in the given year.

Nonexchange transactions, in which the Library gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, penal fines, state aid, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from penal fines, state aid, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

# SHIAWASSEE DISTRICT LIBRARY

## Notes to Financial Statements

Restricted net position represents amounts that are subject to restrictions beyond the government’s control. The restrictions may be externally imposed or imposed by law. 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 Inflow of Resources, and Equity

#### Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

#### Capital Assets

Generally, capital assets are defined by the Library as having initial cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at cost or, if donated, at their estimated acquisition cost at the date of donation.

The Library leases its buildings from the City of Durand and City of Owosso.

Library books which comprise the Library's collection are recorded as assets at cost. Because of their nature and relevance to the Library's operations, they are capitalized despite individually being below the \$5,000 capitalization threshold.

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on such capital assets is charged as an expense against the operations on a straight-line basis over the following estimated useful lives:

	Years
Furniture and equipment	3-10
Library books and materials	7

#### Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. The Library reports deferred outflows of resources related to its pension plan.



# SHIAWASSEE DISTRICT LIBRARY

## Notes to Financial Statements

### ***Accumulated Employee Benefits***

It is the Library's policy to permit employees to accumulate earned but unused sick pay benefits. There is no liability for unused accumulated vacation and personal days since the Library does not have a policy to pay any amounts when employees separate from service with the Library. All sick pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only when they have matured or come due for payment, generally when an individual's employment has terminated as of year end.

### ***Deferred Inflows of Resources***

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Library reports deferred inflows of resources related to its pension plan.

### ***Property Taxes***

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Library's 2019 tax is levied and collectible on December 1, 2019 and is recognized as revenue for the year ended November 30, 2020, when the proceeds of the levy are budgeted and available for financing operations. The 2019 taxable value of the library district totaled \$607,737,592 (a portion of which is not captured from all jurisdictions), on which taxes levied consisted of 1.25 mills for operating purposes. In addition to the 2019 property tax levy, the Library received a personal property tax reimbursement from the Local Community Stabilization Authority. These transactions resulted in \$769,314 recognized as property tax revenue.

### ***Fund Equity***

In the fund financial statements, governmental funds can report the following components of fund balance:

*Nonspendable.* Amounts that are not in spendable form or are legally or contractually required to be maintained intact.

*Restricted.* Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.

*Committed.* Amounts that have been formally set aside by the Board of Directors for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Library board. The Library reported no committed fund balance for the year ended November 30, 2020.

*Assigned.* Intent to spend resources on specific purposes expressed by management.

*Unassigned.* This is the residual classification for amounts in the General Fund.

# SHIAWASSEE DISTRICT LIBRARY

## Notes to Financial Statements

When the Library incurs an expenditure for purposes for which various fund balance classifications 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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

## 2. CASH AND INVESTMENTS

State statutes authorize the Library to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

# SHIAWASSEE DISTRICT LIBRARY

## Notes to Financial Statements

The deposits and investments of the Helen Thome Endowment Trust special revenue fund is maintained separately from the Library's operating cash and investments, and are subject to separate investment policies and State statutes.

Following is a reconciliation of deposit and investment balances as of November 30, 2020:

	Governmental Activities
<b>Statement of Net Position</b>	
Cash and cash equivalents	\$ 1,120,760
Investments	<u>843,682</u>
<b>Total</b>	<u><u>\$ 1,964,442</u></u>
<b>Deposits and investments</b>	
Deposits	\$ 1,120,160
Investments	843,682
Cash on hand	<u>600</u>
<b>Total</b>	<u><u>\$ 1,964,442</u></u>

The Library has designated six banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments as allowed by the Library as listed above. The Library's deposits and investment policy are in accordance with statutory authority.

*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, \$181,476 of the Library's bank balance of \$1,159,360 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. However, while uninsured and unregistered, the Library's investments are not exposed to custodial credit risk since the securities are held in the Library's name by the counterparty.

## SHIAWASSEE DISTRICT LIBRARY

### Notes to Financial Statements

*Interest Rate Risk.* Interest rate risk is the risk that the market value of investments will decrease as a result of changes in market interest rates. The Library's investment policy does not restrict the average maturity of its long-term investments. At November 30, 2020, the average maturity of investments is as follows:

Type of Investment	Fair Value	Due in 1-5 years	Due in 5-10 years	Due in > 10 years	No Maturity
Municipal bonds	\$ 446,060	\$ 129,763	\$ 63,628	\$ 252,669	\$ -
Corporate bonds	90,191	31,043	-	59,148	-
Unit Trusts	307,431	-	-	-	307,431
Total	<u>\$ 843,682</u>	<u>\$ 160,806</u>	<u>\$ 63,628</u>	<u>\$ 311,817</u>	<u>\$ 307,431</u>

*Credit Risk.* The Library's investment policy limits its investment choices to those specified by state statute. At November 30, 2020, the credit quality ratings are as follows:

Rating	Fair Value	Ratings Service
AA+	\$ 63,628	S&P
AA-	200,274	S&P
AA	72,445	S&P
A	31,043	S&P
Aa1	109,713	S&P
BBB/Baa2	59,148	S&P
Assets not subject to credit risk	<u>307,431</u>	N/A
Total	<u>\$ 843,682</u>	

*Concentration of Credit Risk.* The Library places no limit on the amount that may be invested in any one issuer. More than 5 percent of the Library's investments are in Lubbock Texas Health Facilities Development Bonds, Gallatin Tennessee Refunding and Improvement Bonds, Wyandotte School District School Building and Site Bonds, Adams Township Michigan School District, Mason Michigan School District, FedEx Corporation, and First Trust Investment Grade Unit Trust; these investments are 87 percent of the Library's total investments.

*Fair Value.* 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. As of year end, the Library's investments were all considered to be Level 2 (fair value determined based on quoted prices in active markets for similar assets).

# SHIAWASSEE DISTRICT LIBRARY

## Notes to Financial Statements

### 3. CAPITAL ASSETS

Capital asset activity for the year ended November 30, 2020, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, being depreciated:				
Furniture and equipment	\$ 426,012	\$ -	\$ -	\$ 426,012
Library books and materials	528,122	53,823	(87,348)	494,597
	<u>954,134</u>	<u>53,823</u>	<u>(87,348)</u>	<u>920,609</u>
Less accumulated depreciation for:				
Furniture and equipment	(417,827)	(6,156)	-	(423,983)
Library books and materials	(287,753)	(76,896)	87,348	(277,301)
	<u>(705,580)</u>	<u>(83,052)</u>	<u>87,348</u>	<u>(701,284)</u>
Total capital assets being depreciated, net	<u>\$ 248,554</u>	<u>\$ (29,229)</u>	<u>\$ -</u>	<u>\$ 219,325</u>

### 4. ACCUMULATED EMPLOYEE BENEFITS

Accumulated employee benefits activity for the year ended November 30, 2020, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Compensated absences	\$ 68,146	\$ 6,046	\$ (30,959)	\$ 43,233	\$ 4,323

Compensated absences represent the estimated liability to be paid to employees under the Library's sick pay policy and is generally liquidated by the General Fund.

### 5. FUND BALANCE

The Board of Directors has earmarked certain amounts within unassigned fund balance for future use, including \$150,000 for budget working capital. These funds were established for future budget constraints, and are reported as unassigned fund balance in the general fund on the governmental funds balance sheet.

# SHIAWASSEE DISTRICT LIBRARY

## Notes to Financial Statements

### 6. BUDGET INFORMATION

The annual budget is prepared by Library management and adopted by the Library’s Board of Directors; subsequent amendments are approved by the Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. In November 2020, the Library made final amendments to its 2020 budget.

The General Fund budget has been approved on an object basis. A comparison of actual results of operations to the General Fund budget as adopted by the Library Board is included in the accompanying statement of revenues, expenditures and changes in fund balance - budget to actual - General Fund. There was a budget violation at the object level noted below.

	Amended Budget	Actual	Budget Variance
Salaries and wages	\$ 528,700	\$ 541,980	\$ 13,280

A budget was not initially adopted for the special revenue fund. The budget was subsequently amended during the year to include the anticipated annual expenditures. All provisions related to the donation of the monies into these funds have been followed. A budget is not required for the permanent fund.

### 7. RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers’ compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for employee medical benefits. The Library participates in the Michigan Municipal Risk Management Authority (the “Authority”) for property loss, torts, and errors and omissions claims. The Library participates in the Michigan Municipal League program for 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.

The Michigan Municipal Risk Management Authority’s State Pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

# SHIAWASSEE DISTRICT LIBRARY

## Notes to Financial Statements

### 8. PENSION PLAN

#### *General Information About the Plan*

*Plan Description.* The Library participates in Michigan Municipal Employees' Retirement System (MERS) of Michigan, a defined benefit pension plan providing certain retirement, disability and death benefits to plan members and beneficiaries. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. Public Act 427 of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

*Benefits Provided.* Pension benefits vary by division/bargaining unit and are calculated as final average compensation (based on a 5 year period) and multiplier of 2.25%. Participants are considered to be fully vested in the plan after 10 years. Normal retirement age is 60 with early retirement with reduced benefits at age 50 with 25 years of service or age 55 with 15 years of service. Member contributions are 6%.

*Employees Covered by Benefit Terms.* At December 31, 2019, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>7</u>
<b>Total membership</b>	<u><u>12</u></u>

*Contributions.* The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In addition, the employer may establish contribution rates to be paid by its covered employees. Required employer contributions ranged from \$481 to 566 per month during the year.

*Net Pension Liability.* The Library's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions.* The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.35%, net of investment and administrative expense including inflation

## SHIAWASSEE DISTRICT LIBRARY

### Notes to Financial Statements

The mortality table used to project the mortality experience of non-disabled plan members is a 50% male, 50% female blend of the following tables:

- The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%
- The RP-2014 Employee Mortality Tables
- The RP-2014 Juvenile Mortality Tables

The mortality table used to project the mortality experience of disabled plan members is 50% Male, 50% Female blend of RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of the most recent actuarial experience study of 2009-2013.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	60.00%	5.25%	3.15%
Global fixed income	20.00%	1.25%	0.25%
Private Investments	20.00%	7.25%	1.45%
	<u>100.00%</u>		
Inflation			2.50%
Administrative expenses netted above			<u>0.25%</u>
<b>Investment rate of return</b>			<u><u>7.60%</u></u>

*Discount Rate.* The discount rate used to measure the total pension liability as of December 31, 2019 was 7.6% (down from 8.0% at December 31, 2018). The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



# SHIAWASSEE DISTRICT LIBRARY

## Notes to Financial Statements

### Changes in Net Pension Liability

The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a) - (b)
Balances at December 31, 2018	\$ 2,043,648	\$ 1,923,795	\$ 119,853
Changes for the year:			
Service cost	37,864	-	37,864
Interest	161,476	-	161,476
Difference between expected and actual experience	(54,900)	-	(54,900)
Changes in assumptions	59,875	-	59,875
Employer contributions	-	18,219	(18,219)
Employee contributions	-	24,350	(24,350)
Net investment income	-	260,493	(260,493)
Benefit payments, including refunds of employee contributions	(88,266)	(88,266)	-
Administrative expense	-	(4,487)	4,487
Net changes	<u>116,049</u>	<u>210,309</u>	<u>(94,260)</u>
<b>Balances at December 31, 2019</b>	<u>\$ 2,159,697</u>	<u>\$ 2,134,104</u>	<u>\$ 25,593</u>

*Changes in assumptions.* In 2020, amounts reported as changes in assumptions resulted primarily from a decrease in the assumed rate of return from 7.75% to 7.35%, and a decrease in the assumed rate of wage inflation from 3.75% to 3.00%.

*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 7.6%, as well as what the Library's net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.6%) or 1% higher (8.6%) than the current rate:

	1% Decrease (6.6%)	Current Discount Rate (7.6%)	1% Increase (8.6%)
Library's net pension liability (asset)	\$ 313,947	\$ 25,593	\$ (48,862)

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.

# SHIAWASSEE DISTRICT LIBRARY

## Notes to Financial Statements

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

For the year ended November 30, 2020, the Library recognized pension expense of \$11,461. The Library reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between projected and actual earnings on pension plan investments	\$ -	\$ 78,861	\$ (78,861)
Changes in assumptions	44,906	-	44,906
Difference between expected and actual experience	8,057	-	8,057
	<u>52,963</u>	<u>78,861</u>	<u>(25,898)</u>
Contributions subsequent to measurement date	17,424	-	17,424
<b>Total</b>	<u>\$ 70,387</u>	<u>\$ 78,861</u>	<u>\$ (8,474)</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized in the net pension liability for the year ending November 30, 2021. Other amounts reported as pension-related deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ended November 30,	Amount
2021	\$ (33,971)
2022	1,897
2023	27,896
2024	<u>(21,720)</u>
<b>Total</b>	<u>\$ (25,898)</u>

*Payable to the Pension Plan.* At November 30, 2020, the Library had outstanding contributions payable to the pension plan for \$14,317.

The net pension liability is generally liquidated by the general fund.

## 9. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the Library's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees, vendors, and taxpayers, all of which cannot be reasonably predicted at this time. While management reasonably expects the COVID-19 outbreak to negatively impact the Library's financial position, changes in financial position, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.



## **REQUIRED SUPPLEMENTARY INFORMATION**

## SHIAWASSEE DISTRICT LIBRARY

### Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

#### Schedule of Changes in the Library's Net Pension Liability (Asset) and Related Ratios

	Fiscal Year Ended November 30,					
	2020	2019	2018	2017	2016	2015
<b>Total pension liability</b>						
Service cost	\$ 37,864	\$ 35,503	\$ 35,200	\$ 34,236	\$ 33,141	\$ 32,146
Interest	161,476	154,570	152,068	146,343	134,843	125,785
Difference between expected and actual experience	(54,900)	(26,579)	(97,594)	(60,853)	(17,668)	-
Changes in assumptions	59,875	-	-	-	92,610	-
Benefit payments, including refunds of employee contributions	(88,266)	(68,454)	(48,641)	(48,641)	(88,266)	(48,641)
<b>Net change in total pension liability</b>	116,049	95,040	41,033	71,085	154,660	109,290
Total pension liability, beginning of year	2,043,648	1,948,608	1,907,575	1,796,865	1,642,205	1,532,915
<b>Total pension liability, end of year</b>	2,159,697	2,043,648	1,948,608	1,907,575	1,796,865	1,642,205
<b>Plan fiduciary net position</b>						
Employer contributions	18,219	18,467	7,601	6,000	-	24,011
Employee contributions	24,350	23,185	22,859	22,218	21,618	20,832
Net investment income (loss)	260,493	(80,305)	241,160	188,499	(25,715)	102,361
Benefit payments, including refunds of employee contributions	(88,266)	(68,454)	(48,641)	(48,641)	(48,641)	(48,641)
Administrative expense	(4,487)	(3,961)	(3,815)	(3,720)	(3,749)	(3,773)
<b>Net change in plan fiduciary net position</b>	210,309	(111,068)	219,164	164,356	(56,487)	94,790
Plan fiduciary net position, beginning of year	1,923,795	2,034,863	1,815,699	1,651,343	1,707,830	1,613,040
<b>Plan fiduciary net position, end of year</b>	2,134,104	1,923,795	2,034,863	1,815,699	1,651,343	1,707,830
<b>Library's net pension liability (asset)</b>	\$ 25,593	\$ 119,853	\$ (86,255)	\$ 91,876	\$ 145,522	\$ (65,625)
Plan fiduciary net position as a percentage of total pension liability	98.81%	94.14%	104.43%	95.18%	91.90%	104.00%
Covered payroll	\$ 405,815	\$ 383,799	\$ 383,444	\$ 372,530	\$ 360,300	\$ 351,702
Library's net pension liability (asset) as a percentage of covered payroll	6.31%	31.23%	-22.49%	24.66%	40.39%	-18.66%

See notes to required supplementary information.

## SHIAWASSEE DISTRICT LIBRARY

### Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

#### Schedule of the Library's Net Pension Liability (Asset)

Fiscal Year Ended November 30,	Total Pension Liability	Plan Net Position	Net Pension Liability (Asset)	Plan Net Position as Percentage of Total Pension Liability (Asset)	Covered Payroll	Net Pension Liability (Asset) as Percentage of Covered Payroll
2015	\$ 1,642,205	\$ 1,707,830	\$ (65,625)	104.00%	\$ 351,702	-18.66%
2016	1,816,677	1,651,343	165,334	90.90%	360,300	45.89%
2017	1,907,575	1,815,699	91,876	95.18%	372,530	24.66%
2018	1,948,608	2,034,863	(86,255)	104.43%	383,444	-22.49%
2019	2,043,648	1,923,795	119,853	94.14%	383,799	31.23%
2020	2,159,697	2,134,104	25,593	98.81%	405,815	6.31%

See notes to required supplementary information.

## SHIAWASSEE DISTRICT LIBRARY

### Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

#### Schedule of Library Contributions

Fiscal Year Ended November 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Covered Payroll
2015	\$ -	\$ -	\$ -	\$ 302,587	0.00%
2016	-	6,000	(6,000)	314,990	1.90%
2017	-	7,601	(7,601)	380,186	1.84%
2018	7,680	18,467	(10,787)	394,052	4.69%
2019	8,628	18,524	(9,896)	391,605	4.73%
2020	5,978	17,978	(12,000)	401,414	4.48%

See notes to required supplementary information.

# SHIAWASSEE DISTRICT LIBRARY

## Notes to Required Supplementary Information

### MERS Agent Multiple-Employer Defined Benefit Pension Plan

#### Notes to Schedule of Changes in the Library's Net Pension Liability (Asset) and Related Ratios

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

#### Notes to Schedule of the Library's Net Pension Liability (Asset)

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

*Changes in assumptions.* In 2016, amounts reported as changes in assumptions resulted in primarily from adjustments to the mortality table to reflect longer lifetimes, decreases in the assumed rate of return and changes in asset smoothing. In 2020, amounts reported as changes of assumptions resulted primarily from a decrease in the assumed rate of return from 7.75% to 7.35%, and a decrease in the assumed rate of wage inflation from 3.75% to 3.00%.

#### Notes to Schedule of Contributions

Valuation Date Actuarially determined contribution rates are calculated as of the December 31 that is 23 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates (2020, based on the 12/31/2017 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	10 years
Asset valuation method	5-year smooth market
Inflation	2.50%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment and administrative expense including
Retirement age	Age 60
Mortality	50% Female/50% Male blend of the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%, the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables