

CAPITAL AREA DISTRICT LIBRARY

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information and
additional supplementary information)

YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Capital Area District Library,
State of Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Capital Area District Library, State of Michigan as of and for the year ended December 31, 2017, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as identified 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 - Additional Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Capital Area District Library's basic financial statements. The additional supplementary information, as outlined on the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The additional supplementary 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 additional supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Manes Costeiran PC

March 21, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Capital Area District Library (the Library), we offer readers of the Capital Area District Library's financial statements this narrative overview and analysis of the financial activities of the Capital Area District Library for the fiscal years ended December 31, 2017.

FINANCIAL HIGHLIGHTS

Governmental-wide:

- The assets and deferred outflows of the Library exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$13,718,909 (net position). Of this amount, \$7,759,185 (unrestricted net position) may be used to meet the Library's ongoing obligations to citizens and creditors.
- The Library's total net position decreased by \$115,453.

Fund-level:

- As of the close of the 2017 fiscal year, the Library's governmental fund reported ending fund balance of \$8,696,275, a decrease of \$399,043 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,232,384, or 36% of total general fund expenditures, meeting the current policy requirement of a minimum of 25%.

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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary and additional supplementary information in addition to the basic financial statements themselves.

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

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 between the four 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 future fiscal periods (e.g., earned but unused compensated absences).

The government-wide financial statements can be found on pages 14 and 15 of this report.

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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund of the Library is categorized as a governmental fund.

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 information to facilitate this comparison between *governmental funds* and *governmental activities*.

The Library maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund which is considered a major fund.

The Library adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund in the required supplementary information.

The basic governmental fund financial statements can be found on pages 14 and 15 of this report.

Notes to the financial statements. The notes provide supplementary 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 on pages 16 through 31 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Library's progress in funding its obligation to provide retirement benefits to its employees and the general fund budget on pages 33 through 36. Additional supplementary information can be found on pages 38 and 39 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the Library, assets and deferred outflows of resources exceeded liabilities and deferred inflow of resources by \$13,718,909 at the close of the most recent fiscal year.

\$5,718,422 of the Library's net position (42%) reflects its investment in capital assets (e.g., library books, furniture and equipment), less any related debt, none at year end, used to acquire those assets that is still outstanding. The Library uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Capital Area District Library's Net Position

	Governmental activities	
	2017	2016
Current assets	\$ 19,113,413	\$ 19,227,601
Capital assets	5,718,422	5,146,752
Total assets	<u>24,831,835</u>	<u>24,374,353</u>
Deferred outflows of resources	<u>1,156,053</u>	<u>1,531,192</u>
Long-term liabilities	259,351	258,273
Net pension liability	1,437,483	1,680,627
Other liabilities	<u>359,938</u>	<u>352,783</u>
Total liabilities	<u>2,056,772</u>	<u>2,291,683</u>
Deferred inflow of resources	<u>10,212,207</u>	<u>9,779,500</u>
Net position:		
Net investment in capital assets	5,718,422	5,146,752
Restricted by donor request	241,302	355,374
Unrestricted	<u>7,759,185</u>	<u>8,332,236</u>
Total net position	<u>\$ 13,718,909</u>	<u>\$ 13,834,362</u>

The unrestricted net position (\$7,759,185) may be used to meet the Library's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Library is able to report positive balances in all categories of net position for its governmental activities.

The Library's net position decreased by \$115,453 during the current fiscal year. The majority of the decrease can be attributed to electronic library material spending.

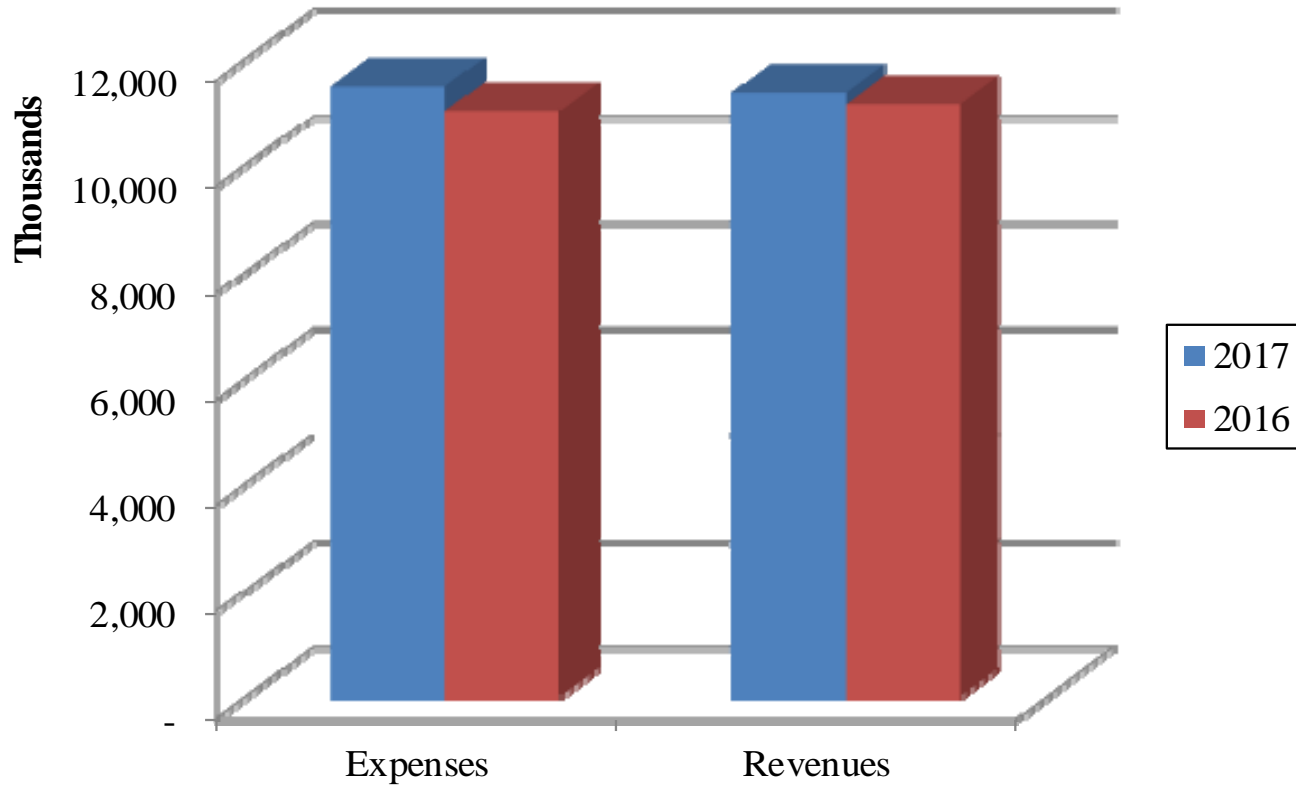
Governmental activities. Governmental activities decreased the Library’s net position by \$115,453, thereby the governmental activities accounted for 100% of the total increase in the net position of the Library.

Capital Area District Library’s Changes in Net Position

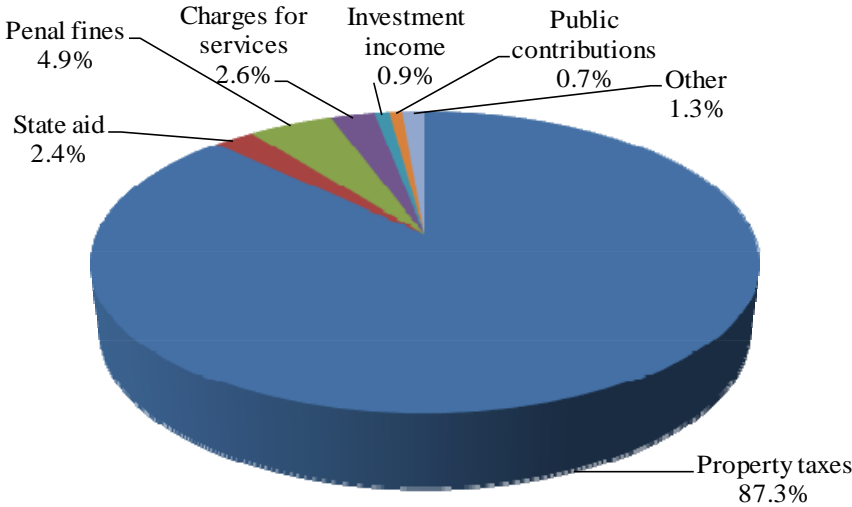
	Governmental activities	
	2017	2016
Revenues:		
Program revenues:		
Charges for services	\$ 290,464	\$ 305,019
State aid	267,949	156,194
Penal fines	558,316	650,599
Public contributions	84,442	118,675
General revenues:		
Property taxes	9,934,673	9,758,586
Investment earnings	98,501	42,909
Other	145,914	133,708
Total revenues	11,380,259	11,165,690
Expenses:		
Library services	11,495,712	11,035,332
Increase in net position	(115,453)	130,358
Net position, beginning of year	13,834,362	13,704,004
Net position, end of year	\$ 13,718,909	\$ 13,834,362

- Overall government activities revenue is up \$214,569 from prior year. The majority of the increase is due to collecting more property tax and state aid, in the form of personal property tax loss reimbursements, than in the previous year.
- Expenses increased \$460,380. The increase can primarily be attributed to an increase in capital spending for library renovation projects.

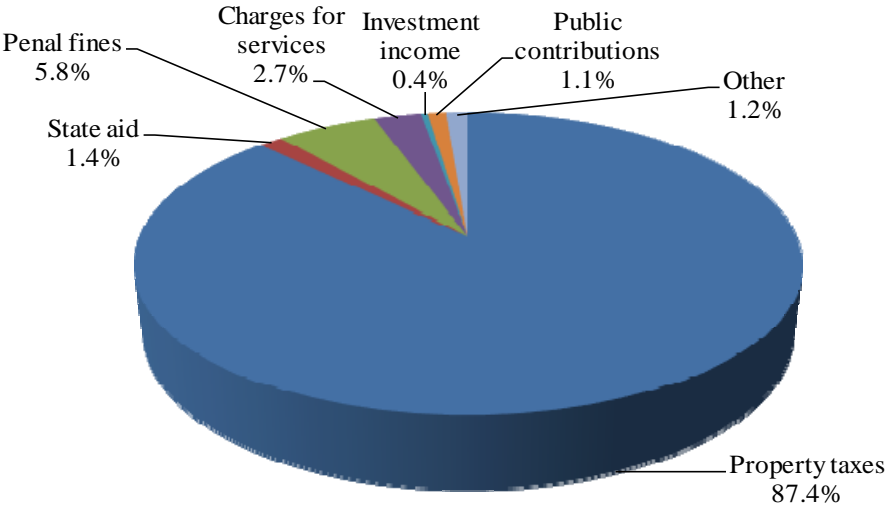
Capital Area District Library
Expenses and Revenues - Governmental Activities
December 31,



Capital Area District Library
 Revenues by Source - Governmental Activities
 December 31,



2017



2016

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 fund. The focus of the Library's *governmental fund* 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.

As of the end of the current fiscal year, the Library's governmental fund reported combined ending fund balance of \$8,696,275, a decrease of \$399,043 in comparison with the prior year. Approximately 49% of this total amount (\$4,232,384) constitutes *unassigned*, which is available for spending at the Library's discretion. The remainder of fund balance is restricted, non-spendable, or assigned to indicate that it is not available for new spending because it has already been committed to 1) capital projects (\$500,000), 2) automation (\$500,000), 3) operations (\$1,405,000), 4) pension reserve (\$548,120), 5) donations (\$323,148), 6) for subsequent year expenditures (\$756,000), or 7) prepaid contracted services (\$431,623).

The general fund is the chief and only operating fund of the Library. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,232,384 while total fund balance was \$8,696,275. 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 represents 36% of total general fund expenditures, while total fund balance represents 74% of that same amount.

The fund balance of the Library's general fund decreased by \$399,043 during fiscal year 2017. A key factor in this decrease is as follows:

- Increase in capital outlay expenditures

Capital Asset and Debt Administration

Capital assets. The Library's net investment in capital assets for its governmental activities as of December 31, 2017, amounts to \$5,718,422 (net of accumulated depreciation). This investment in capital assets includes library books and materials, furniture and equipment, and building and building improvements.

Major capital asset events during the current fiscal year included the following:

- New library books and materials
- New computers and technology
- Renovation projects on library buildings

Capital Area District Library's Capital Assets
(Net of depreciation)

	Governmental activities	
	2017	2016
Building and building improvements	\$ 1,241,529	\$ 746,861
Library books and materials	3,351,742	3,486,698
Furniture and equipment	960,661	871,761
Construction in progress	164,490	41,432
	\$ 5,718,422	\$ 5,146,752

Additional information on the Library's capital assets can be found in the notes of this report.

Long-term debt. At the end of the current fiscal year, the Library had total debt outstanding of \$259,351. This represents compensated absences earned but not used as of year-end.

Capital Area District Library's Outstanding Debt

	Governmental activities	
	2017	2016
Compensated absences	\$ 259,351	\$ 258,273

The Library's total debt increased by \$1,078 (0.4%) during the current fiscal year.

Additional information on the Library's long-term debt can be found in the notes of this report.

Economic Factors and Next Year's Budgets and Rates

Capital Area District Library's goal is to maintain and enhance the services that are provided to the public utilizing the most efficient and effective methods. The Library has a conservative and fiscally responsible budget for the fiscal year 2018 that will support the Library's activities and programs.

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 Capital Area District Library, 401 S. Capitol Ave, Lansing, MI 48933.

BASIC FINANCIAL STATEMENTS

**CAPITAL AREA DISTRICT LIBRARY
GOVERNMENTAL FUND BALANCE SHEET/
STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	Balance sheet general fund modified accrual basis	Adjustments	Statement of net position
ASSETS:			
Cash	\$ 5,962,380	\$ -	\$ 5,962,380
Investments	2,649,617	-	2,649,617
Receivables:			
Accounts	8,206	-	8,206
Taxes	10,061,587	-	10,061,587
Prepaid expenses	431,623	-	431,623
Capital assets, net of accumulated depreciation	-	5,718,422 ⁽¹⁾	5,718,422
TOTAL ASSETS	<u>19,113,413</u>	<u>5,718,422</u>	<u>24,831,835</u>
DEFERRED OUTFLOW OF RESOURCES:			
Pension related items	\$ -	1,156,053 ⁽²⁾	1,156,053
LIABILITIES:			
Accounts payable	167,699	-	167,699
Accrued payroll, taxes and withholding	129,755	-	129,755
Accrued retirement	62,484	-	62,484
Noncurrent liabilities:			
Due within one year	-	17,179 ⁽²⁾	17,179
Due in more than one year	-	242,172 ⁽²⁾	242,172
Net pension liability	-	1,437,483 ⁽²⁾	1,437,483
TOTAL LIABILITIES	<u>359,938</u>	<u>1,696,834</u>	<u>2,056,772</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension related items	-	155,007 ⁽²⁾	155,007
Unavailable revenue - property taxes	10,057,200	-	10,057,200
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>10,057,200</u>	<u>155,007</u>	<u>10,212,207</u>
FUND BALANCE/NET POSITION:			
Net investment in capital assets	-	5,718,422	5,718,422
Nonspendable - prepaid expenditures	431,623	(431,623)	-
Restricted - donations	241,302	-	241,302
Committed:			
Capital projects	500,000	(500,000)	-
Automation	500,000	(500,000)	-
Operations	1,405,000	(1,405,000)	-
Pension reserve	548,120	(548,120)	-
Assigned - donations	81,846	(81,846)	-
Assigned - subsequent year expenditures	756,000	(756,000)	-
Unassigned/unrestricted	4,232,384	3,526,801	7,759,185
TOTAL FUND BALANCE/NET POSITION	<u>8,696,275</u>	<u>\$ 5,022,634</u>	<u>\$ 13,718,909</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 19,113,413</u>		

⁽¹⁾ Capital assets used in governmental activities are not financial resources and are not reported under the modified accrual basis of accounting.

⁽²⁾ Compensated absences and pension liability are not due and payable in the current period and are not reported under the modified accrual basis of accounting.

CAPITAL AREA DISTRICT LIBRARY
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	Statement of revenue, expenditures and changes in fund balance general fund modified accrual basis	Adjustments	Statement of activities
REVENUES:			
Property taxes	\$ 9,934,673	\$ -	\$ 9,934,673
State aid	267,949	-	267,949
Penal fines	558,316	-	558,316
Charges for services	290,464	-	290,464
Investment income - net	98,501	-	98,501
Public contributions	84,442	-	84,442
Other	153,163	(7,249) ⁽³⁾	145,914
	<u>11,387,508</u>	<u>(7,249)</u>	<u>11,380,259</u>
EXPENDITURES:			
Current:			
Salaries and employee benefits	7,172,260	288,080 ⁽²⁾	7,460,340
Materials	1,588,621	(895,885) ⁽¹⁾	692,736
Supplies	112,199	-	112,199
Contractual services	424,223	-	424,223
Governance	56,020	-	56,020
Automated library system	260,196	-	260,196
Maintenance and utilities	625,415	-	625,415
Technology	271,554	(164,490) ⁽¹⁾	107,064
Staff development	36,557	-	36,557
Capital outlay	1,052,841	(845,609) ⁽¹⁾	207,232
Depreciation	-	1,327,065 ⁽¹⁾	1,327,065
Miscellaneous	186,665	-	186,665
	<u>11,786,551</u>	<u>(290,839)</u>	<u>11,495,712</u>
Total expenditures	11,786,551	(290,839)	11,495,712
Net change in fund balance/net position	(399,043)	283,590	(115,453)
FUND BALANCE/NET POSITION,			
beginning of year	9,095,318	4,739,044	13,834,362
FUND BALANCE/NET POSITION, end of year	<u>\$ 8,696,275</u>	<u>\$ 5,022,634</u>	<u>\$ 13,718,909</u>

⁽¹⁾ Governmental funds report capital assets as expenditures in the statement of revenues, expenditures and changes in fund balances. In the statement of activities, these expenditures are capitalized and depreciated over their estimated useful lives.

⁽²⁾ Compensated absences and pension are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental fund. The adjustment represents the change of the year end liability compared to the prior year.

⁽³⁾ Governmental funds report revenue as being available within a reasonable amount of time after the year end, typically 60 days. In the statement of activities these revenues are recognized as revenue when they are measurable.

**CAPITAL AREA DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide 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. *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 Capital Area District Library has no business-type activities or fiduciary activities.

B. Reporting Entity

Effective January 1, 1998, Capital Area District Library commenced official operations pursuant to the March 10, 1997 signed District Library Agreement. The District Library Agreement was originally entered into by the County of Ingham, except for the City of East Lansing and small portions of White Oak and Locke Townships, and the City of Lansing. In February 1999, three additional participating municipalities were recognized by the original participants - Delhi Township, Meridian Township and the City of Williamston. The Library is funded primarily through property taxes, state aid, penal fines, and donations. The voters of the district approved a 1.56 mill tax for a 4-year period, which began with a tax levy effective December 31, 2014. This millage provides funding of Library operations through December 31, 2018.

The Library is governed by a seven-member board. The Board consists of five members appointed by the County of Ingham and two members appointed by the City of Lansing. The Library is not included as a component unit in any other primary government's financial statements.

The Library 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.

C. 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 unit.

The Library utilized the financial statement format recommended by the State of Michigan for special purpose entities engaged only in governmental activities.

The Library maintains only one fund, the general fund, which is reported as a major governmental fund.

**CAPITAL AREA DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Government-wide and Fund Financial Statements (Concluded)

The *general fund* is the Library's primary operating fund. It accounts for all financial resources of the general government. There are no resources required to be accounted for in another fund.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements (the statement of net position and statement of activities) 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements (the balance sheet and statement of revenue, expenditures and changes in fund balances) 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, expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government.

E. Budgetary Information

1. Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund.

The appropriate budget is prepared by fund and function. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level.

**CAPITAL AREA DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Information (Concluded)

1. Budgetary Basis of Accounting (Concluded)

Appropriations in the budgeted fund lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The Library does not utilize encumbrance accounting.

The budget was amended during the year with supplemental appropriations. The budget was amended prior to December 31, 2017. The Library does not consider the amendments to be significant. Violations, if any, are noted in the required supplementary information sections.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash, Cash Equivalents and Investments

Cash includes amounts in petty cash and demand deposits. Investments include instruments allowed by state statute subsequently described. Investments are carried at amortized cost or fair value.

State statutes authorized the Library to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Library is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**CAPITAL AREA DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

3. Capital Assets

Capital assets, which include furniture, equipment, and library books, are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of 2 years. The total of books purchased during the year are capitalized and are depreciated over seven years. The Library has elected not to capitalize rare books. Fully depreciated books are removed from the asset schedule. Such assets are recorded at historical cost or estimated historical cost if purchased. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Library has a collection of art work presented for public exhibition and education that is being preserved for future generations. The proceeds from sales of any pieces of the collection are used to purchase other acquisitions. The collection is not capitalized or depreciated as part of capital assets, since at the time of donation it was impractical to determine a fair value due to the number of small pieces in the collection.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the Library, are depreciated using the straight-line method over the following estimated useful lives.

Assets	Years
Building and building improvements	25 - 40
Library books and materials	7
Furniture and equipment	3 - 10

4. Deferred Outflows/Inflows 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 so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Library only has one item that qualifies for reporting in this category. It is the pension related items reported in the government-wide statement of net position. A deferred outflow is recognized for pension related items and is expensed in the plan year in which it applies.

**CAPITAL AREA DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

4. Deferred Outflows/Inflows of Resources (Concluded)

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 a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Library has two items that qualifies for reporting in this category. The first relates to property taxes. The governmental funds report unavailable revenues from property taxes, while the government-wide report only property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is the future resources yet to be recognized in relation to the pension accrual calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary.

5. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

6. Net position Flow Assumption

Sometimes the Library will fund outlays for a particular purpose from both restricted (e.g., restricted contributions or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

**CAPITAL AREA DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

7. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Library itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Library's highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the Library that can, by adoption of a Board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the Board action remains in place until a similar action is taken (the adoption of another Board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as committed. The Board of Trustees has by resolution authorized the executive director to assign fund balance. The Board of Trustees may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The Library has adopted a minimum unassigned fund balance policy, which states that the Library will maintain a minimum unassigned fund balance of 25% of subsequent year's operational expenses. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment. If the fund balance falls below the minimum 25% level, library management will replenish shortages/deficiencies by reducing recurring expenditures to eliminate any structural deficit, increase taxes in accordance with law, fees for services, pursue other funding sources, or some combination of the 2 options.

**CAPITAL AREA DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Concluded)

8. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

G. Revenues and Expenditures/Expenses

1. Property Taxes

Property taxes become an enforceable lien on the property as of December 1. Taxes are levied on December 1 and are due in February of the following year. The Library engages other municipalities to bill and collect its own property taxes. Library tax revenues are recognized in the fiscal year following the December 1 levy date. Property taxes levied for the ensuing year's revenue are included in taxes receivable and deferred inflows. Property tax receivables related to delinquent taxes are also deferred unless collected within 60 days of year-end.

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 2016 tax is levied and collectible on December 1, 2016 and is recognized as revenue in the year ended December 31, 2017 financial statements, when the proceeds of the levy are budgeted and available for the financing operations. The 2016 taxable value of the district totaled \$6,505,372,499 (a portion of which is not captured from all jurisdictions), on which taxes of 1.56 mills are levied for operating purposes.

2. Compensated Absences

It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the Library does not have a policy to pay any amounts when employees separate from service with the Library. All vacation pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**CAPITAL AREA DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS

State statutes authorize the Library 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.

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.

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 does not have specific limits in excess of state law on concentration of credit risk.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. As of December 31, 2017, \$7,201,871 of the Library's bank balance of \$8,926,826 was exposed to custodial credit risk because it was uninsured and uncollateralized. Certificate of deposits and money market accounts are included in the above totals. The balance of \$8,611,997 is reported as cash and investments on the financial statements as of December 31, 2017.

Custodial credit risk - investments. For an investment, this 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.

**CAPITAL AREA DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (Concluded)

Foreign currency risk. The Library is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 2:

Deposits	\$ 8,611,997
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As presented in the financial statements:

Cash	\$ 5,962,380
Investments	2,649,617
	\$ 8,611,997

NOTE 3 - CAPITAL ASSETS

The capital assets for the year ended December 31, 2017 was as follows:

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Primary government:				
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 41,432	\$ 164,490	\$ 41,432	\$ 164,490
Capital assets being depreciated:				
Building and building improvement	999,638	545,641	-	1,545,279
Library books and materials	16,050,269	895,885	1,251,927	15,694,227
Furniture and equipment	3,456,314	341,400	86,912	3,710,802
Total capital assets, being depreciated	20,506,221	1,782,926	1,338,839	20,950,308
Less accumulated depreciation for:				
Building and building improvement	252,777	50,973	-	303,750
Library books and materials	12,563,571	1,030,841	1,251,927	12,342,485
Furniture and equipment	2,584,553	245,251	79,663	2,750,141
Total accumulated depreciation	15,400,901	1,327,065	1,331,590	15,396,376
Total capital assets, being depreciated, net	5,105,320	455,861	7,249	5,553,932
Total governmental activities, capital assets, net	\$ 5,146,752	\$ 620,351	\$ 48,681	\$ 5,718,422

Depreciation expense amounted to \$1,327,065.

**CAPITAL AREA DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - LONG-TERM DEBT

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2017 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Compensated absences	\$ 258,273	\$ 1,078	\$ -	\$ 259,351	\$ 17,179

NOTE 5 - PENSION PLANS

Defined Contribution Retirement Plan

The Library provides retirement benefits to certain full-time employees hired before January 1, 2002 through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by negotiation with the Library's competitive bargaining units, the Library contributes 8.00% of employees' gross earnings. In accordance with these requirements, the Library contributed \$24,424 during the current year, and employees made no contributions.

Defined Benefit Plan

Plan Description

The Library's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The Library participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

**CAPITAL AREA DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - PENSION PLANS (Continued)

Benefits Provided

Open Division	2016 Valuation		
	07-NonUnion	70-UnionProf	71-UnNon-Pro
Benefit Multiplier:	2.50%	2.00%	2.00%
	Multiplier (80% max)	Multiplier (no max)	Multiplier (no max)
Normal Retirement age:	60	60	60
Vesting:	6 years	10 years	10 years
Early Retirement (Unreduced):	55/15	50/25	55/20
Early Retirement (Reduced):	50/25	55/15	55/15
Final Average Compensation:	5 years	5 years	5 years
COLA for Future Retirees:	2.50% (Non-Compound)	2.50% (Non-Compound)	
Member Contributions:	10.00%	4.13%	2.11%
Act 88:	Yes (adopted 10/17/2001)	Yes (adopted 10/17/2001)	Yes (adopted 10/17/2001)

Employees covered by benefit terms. At the December 31, 2016 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>66</u>
	<u><u>92</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. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions ranged from 8.00% to 10.52% based on annual payroll for open divisions. At year end, the Library is current on all required pension plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for December paid in January.

Net pension liability. The employer's net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

**CAPITAL AREA DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - PENSION PLANS (Continued)

Actuarial assumptions. The total pension liability in the December 31, 2016 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary increases: 3.75% in the long-term

Investment rate of return: 8.0%, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3% - 4%.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% male and 50% female blend.

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

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:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Global Equity	57.50%	5.02%
Global Fixed Income	20.00%	2.18%
Real Assets	12.50%	4.23%
Diversifying Strategies	10.00%	6.56%

Discount rate. The discount rate used to measure the total pension liability is 8.00%. 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.

**CAPITAL AREA DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - PENSION PLANS (Continued)

Changes in Net Pension Liability

	Increase (decrease)		
	Total pension liability (a)	Plan	
		fiduciary net position (b)	Net pension liability (a)-(b)
Balances at 12/31/2016	\$ 8,420,669	\$ 6,740,042	\$ 1,680,627
Changes for the year:			
Service cost	415,935	-	415,935
Interest on total pension liability	682,433	-	682,433
Changes in benefits	31,415	-	31,415
Difference between expected and actual experience	(180,842)	-	(180,842)
Employer contributions	-	297,624	(297,624)
Employee contributions	-	124,505	(124,505)
Net investment income	-	785,435	(785,435)
Benefit payments including employee refunds	(196,459)	(196,459)	-
Administrative expense	-	(15,479)	15,479
Net changes	752,482	995,626	(243,144)
Balances as of 12/31/2017	\$ 9,173,151	\$ 7,735,668	\$ 1,437,483

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the employer, calculated using the discount rate of 8.00%, as well as what the employer's net pension liability would be using a discount rate that is 1% lower (7.00%) or 1% higher (9.00%) than the current rate.

	1% Decrease (7.00%)	Current discount rate (8.00%)	1% Increase (9.00%)
Net pension liability at 12/31/2017	\$ -	\$ 1,437,483	\$ -
Change in net pension liability (NPL)	1,281,498	-	(1,070,037)
Calculated NPL	\$ 2,718,981	\$ 1,437,483	\$ 367,446

**CAPITAL AREA DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - PENSION PLANS (Concluded)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2017 the employer recognized pension expense of \$660,179 on the governmental-wide financial statements. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences in experiences	\$ 190,050	\$ 155,007
Differences in assumptions	349,251	-
Excess (deficit) investment returns	243,574	-
Contributions subsequent to the measurement date*	373,178	-
	\$ 1,156,053	\$ -

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending 2017.

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

Year end December 31,			
2018		\$	187,033
2019			187,033
2020			163,151
2021			34,461
2022			82,026
2023			(25,836)

NOTE 6 - COMMITMENTS AND CONTINGENCIES

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library carries commercial insurance to cover any losses that may result from the above described activities. No settlements have incurred in excess of coverage in 2017 or any of the prior 3 years.

**CAPITAL AREA DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - OPERATING LEASE

The Library entered into an operating lease for parking space rental, which was an extension of an existing lease. Payments commenced on October 1, 2010 for this lease; scheduled future minimum lease payments under this agreement as of December 31, 2017, are summarized as follows:

Year ending December 31,		
2018	\$	46,728
2019		48,129
2020		36,900
		\$ 131,757

During 2017 the Library paid \$45,410 for rental of the parking spaces.

NOTE 8 - TAX ABATEMENTS

INDUSTRIAL FACILITIES EXEMPTION

Municipalities within the Library boundaries entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended. An Industrial Facilities Tax Exemption (IFT) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1 - 12 years as determined by the local unit of government. The IFT on new plant and new industrial property is computed at 50% of the taxes levied. The municipalities can elect to freeze the taxable values for rehabilitation properties.

For the year ended December 31, 2017, the Library's property tax revenue for general operations were reduced by \$70,700 under this program. The abatements issued by other governmental units is a follows:

Governmental unit		Amount
Alaiedon Township	\$	19,450
Delhi Charter Township		505
City of Mason		37,021
City of Williamston		4,273
Total		\$ 61,249

**CAPITAL AREA DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - TAX ABATEMENTS (Concluded)

PILOT - PAYMENT IN LIEU OF TAXES

Under the provisions of the State Housing Development Authority Act 346 of 1966, as amended, municipalities can enter into agreements with housing developments in which they pay a service fee instead of property taxes for public services. The Act applies to multiple unit housing for citizens of low income and the elderly.

For the year ended December 31, 2017, the Library's property tax revenue for general operations were reduced by \$18,639 under this program. The abatements issued by other governmental units is as follows:

Governmental unit	Amount
Delhi Charter Township	\$ 16,485

There are no significant abatements made by the Library.

NOTE 9 - UPCOMING ACCOUNTING PRONOUNCEMENT

Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, was issued by the GASB in June 2017 and will be effective for the Library's 2020 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

**CAPITAL AREA DISTRICT LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2017**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
REVENUES:				
Local sources:				
Property taxes	\$ 9,779,500	\$ 9,869,500	\$ 9,934,673	\$ 65,173
Penal fines	649,500	559,500	558,316	(1,184)
Charges for services	296,000	282,000	290,464	8,464
Investment income - net	75,000	97,000	98,501	1,501
Public contributions	76,000	91,500	84,442	(7,058)
Other	120,750	142,550	153,163	10,613
Total local sources	<u>10,996,750</u>	<u>11,042,050</u>	<u>11,119,559</u>	<u>77,509</u>
State sources	<u>187,500</u>	<u>267,500</u>	<u>267,949</u>	<u>449</u>
Total revenues	<u>11,184,250</u>	<u>11,309,550</u>	<u>11,387,508</u>	<u>77,958</u>
EXPENDITURES:				
Current:				
Salaries and employee benefits	7,459,900	7,496,900	7,172,260	324,640
Materials	1,577,357	1,667,257	1,588,621	78,636
Supplies	127,500	127,500	112,199	15,301
Contractual services	435,575	440,775	424,223	16,552
Governance	72,100	72,100	56,020	16,080
Automated library system	267,018	273,518	260,196	13,322
Maintenance and utilities	741,800	732,800	625,415	107,385
Technology	325,750	377,490	271,554	105,936
Staff development	44,350	45,350	36,557	8,793
Capital outlay	1,015,500	1,235,700	1,052,841	182,859
Miscellaneous	173,400	218,400	186,665	31,735
Total expenditures	<u>12,240,250</u>	<u>12,687,790</u>	<u>11,786,551</u>	<u>901,239</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,056,000)</u>	<u>\$ (1,378,240)</u>	(399,043)	<u>\$ 979,197</u>
FUND BALANCE:				
Beginning of year			<u>9,095,318</u>	
End of year			<u>\$ 8,696,275</u>	

**CAPITAL AREA DISTRICT LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY
AND RELATED RATIOS
LAST 10 FISCAL YEARS**

	2016	2015	2014
Total pension liability			
Service cost	\$ 415,935	\$ 398,610	\$ 365,896
Interest	682,433	580,414	520,792
Changes of benefit terms	31,415	(62,471)	-
Difference between expected and actual experience	(180,842)	266,071	-
Changes of assumptions	-	488,952	-
Benefit payments including employee refunds	(196,459)	(173,841)	(186,880)
Other	-	-	-
Net change in total pension liability	752,482	1,497,735	699,808
Total pension liability beginning	8,420,669	6,922,934	6,223,126
Total pension liability ending	<u>\$ 9,173,151</u>	<u>\$ 8,420,669</u>	<u>\$ 6,922,934</u>
Plan fiduciary net position			
Contributions-employer	\$ 297,624	\$ 258,871	\$ 245,098
Contributions-employee	124,505	142,200	128,660
Net investment income	785,435	(104,388)	388,568
Benefit payments including employee refunds	(196,459)	(173,841)	(186,880)
Administrative expense	(15,479)	(14,897)	(14,374)
Net change in plan fiduciary net position	995,626	107,945	561,072
Plan fiduciary net position beginning	6,740,042	6,632,097	6,071,025
Plan fiduciary net position ending	<u>\$ 7,735,668</u>	<u>\$ 6,740,042</u>	<u>\$ 6,632,097</u>
Employer net pension liability	<u>\$ 1,437,483</u>	<u>\$ 1,680,627</u>	<u>\$ 290,837</u>
Plan fiduciary net position as a percentage of the total pension liability	84.33%	80.04%	95.80%
Covered employee payroll	\$ 3,401,919	\$ 3,383,310	\$ 3,106,622
Employer's net pension liability as a percentage of covered employee payroll	42.26%	49.67%	9.36%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

**CAPITAL AREA DISTRICT LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST 10 FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarial determined contributions	\$ 297,624	\$ 258,871	\$ 245,098
Contributions in relation to the actuarially determined contribution	<u>297,624</u>	<u>258,871</u>	<u>245,098</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 3,401,919	\$ 3,383,310	\$ 3,106,622
Contributions as a percentage of covered employee payroll	8.75%	7.65%	7.89%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

**CAPITAL AREA DISTRICT LIBRARY
NOTES TO THE REQUIRED
SUPPLEMENTARY INFORMATION**

Notes to the Schedule of Changes in Employer's Net Pension Liability and Related Ratios

Benefit changes - for 2016 the employee contributions decreased from 5.24% to 4.13% for division 70. Employee contributions for division 71 decreased from 3.22% to 2.11%.

Changes in assumptions - the 2016 actuarial numbers reflect a change in assumed life expectancy for longer lifetimes, assumed rate of investment return was lowered from 8.25% to 8%, and the asset smoothing period was changed from 10 years to 5 years.

Notes to the Schedule of Employer Contributions

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	23 years
Asset valuation method	5 year smoothed
Inflation	2.5%
Salary increases	3.8%
Investment rate of return	8.0%
Retirement age	Varies depending on plan adoption
Mortality	50% female/50% male RP-2014 Group Annuity Mortality Table

ADDITIONAL SUPPLEMENTARY INFORMATION

**CAPITAL AREA DISTRICT LIBRARY
GENERAL FUND
BALANCE SHEETS
DECEMBER 31, 2017 AND 2016**

	2017	2016
ASSETS		
ASSETS:		
Cash	\$ 5,962,380	\$ 6,391,199
Investments	2,649,617	2,613,706
Receivables:		
Accounts	8,206	13,380
Taxes	10,061,587	9,781,806
Prepaid expense	431,623	427,510
TOTAL ASSETS	\$ 19,113,413	\$ 19,227,601
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
LIABILITIES:		
Accounts payable	\$ 167,699	\$ 169,648
Accrued payroll, taxes and withholding	129,755	128,761
Accrued retirement	62,484	54,374
TOTAL LIABILITIES	359,938	352,783
DEFERRED INFLOWS OF RESOURCES:		
Unavailable revenue - property taxes	10,057,200	9,779,500
TOTAL DEFERRED INFLOWS OF RESOURCES	10,057,200	9,779,500
FUND BALANCE:		
Nonspendable - prepaid expenditures	431,623	427,510
Restricted - donations	241,302	355,374
Committed:		
Capital projects	500,000	500,000
Automation	500,000	500,000
Operations	1,405,000	2,400,000
Pension reserve	548,120	609,120
Assigned - donations	81,846	60,879
Assigned - subsequent year expenditures	756,000	1,056,000
Unassigned	4,232,384	3,186,435
TOTAL FUND BALANCE	8,696,275	9,095,318
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 19,113,413	\$ 19,227,601

**CAPITAL AREA DISTRICT LIBRARY
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
REVENUES:		
Property taxes	\$ 9,934,673	\$ 9,758,586
State aid	267,949	156,194
Penal fines	558,316	650,599
Charges for services	290,464	305,019
Investment income - net	98,501	42,909
Public contributions	84,442	118,675
Other	<u>153,163</u>	<u>137,482</u>
Total revenues	<u>11,387,508</u>	<u>11,169,464</u>
EXPENDITURES:		
Current:		
Salaries and employee benefits	7,172,260	6,995,317
Materials	1,588,621	1,464,647
Supplies	112,199	104,905
Contractual services	424,223	403,738
Governance	56,020	60,315
Automated library system	260,196	307,545
Maintenance and utilities	625,415	665,745
Technology	271,554	164,367
Staff development	36,557	34,251
Capital outlay	1,052,841	490,650
Miscellaneous	<u>186,665</u>	<u>167,557</u>
Total expenditures	<u>11,786,551</u>	<u>10,859,037</u>
Net change in fund balance	(399,043)	310,427
FUND BALANCE, beginning of year	<u>9,095,318</u>	<u>8,784,891</u>
FUND BALANCE, end of year	<u><u>\$ 8,696,275</u></u>	<u><u>\$ 9,095,318</u></u>