

CAPITAL AREA DISTRICT LIBRARY

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

YEAR ENDED DECEMBER 31, 2015

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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, 2015, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2015, 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.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 8 to the financial statements, Capital Area District Library implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

April 20, 2016

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, 2015 and 2014.

For the year ended December 31, 2015, Capital Area District Library implemented Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These changes are significant at the government-wide level.

These new financial reporting standards require participants in a multi-employer agent plan to:

- Record the net pension liability on the statement of net position.
- Record the pension expense as defined by GASB on the statement of activities.
- Report additional note disclosures and required supplemental information.
- These changes will not result in any changes at the fund level.

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 \$13,704,004 (net position). Of this amount, \$8,287,334 (unrestricted net position) may be used to meet the Library's ongoing obligations to citizens and creditors.
- The Library's total net position increased by \$284,508.

Fund-level:

- As of the close of the 2015 fiscal year, the Library's governmental fund reported ending fund balance of \$8,784,891 an increase of \$313,022 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,190,315, or 31 percent 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 15 and 16 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 15 and 16 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 17 through 33 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 35 through 37. Additional supplementary information can be found on pages 39 and 40 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 \$13,704,004 at the close of the most recent fiscal year.

\$5,111,013 of the Library's net position (37 percent) 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	
	2015	2014
Current assets	\$ 18,680,729	\$ 18,133,524
Capital assets	5,111,013	5,099,278
Total assets	23,791,742	23,232,802
Deferred outflows of resources	354,398	-
Long-term liabilities	259,235	244,649
Net pension liability	290,837	-
Other liabilities	268,064	329,655
Total liabilities	818,136	574,304
Deferred inflow of resources	9,624,000	9,332,000
Net position:		
Net investment in capital assets	5,111,013	5,099,278
Restricted by donor request	305,657	293,451
Unrestricted	8,287,334	7,933,769
Total net position	\$ 13,704,004	\$ 13,326,498

The 2014 numbers have not been restated for the adoption of GASB 68 and 71.

The unrestricted net position (\$8,287,334) 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 increased by \$284,508 during the current fiscal year. The majority of this increase can be attributed to monitoring spending and keeping expenditures within budgeted levels.

Governmental activities. Governmental activities increased the Library's net position by \$284,508, thereby the governmental activities accounted for 100% of the total increase in the net position of the Library.

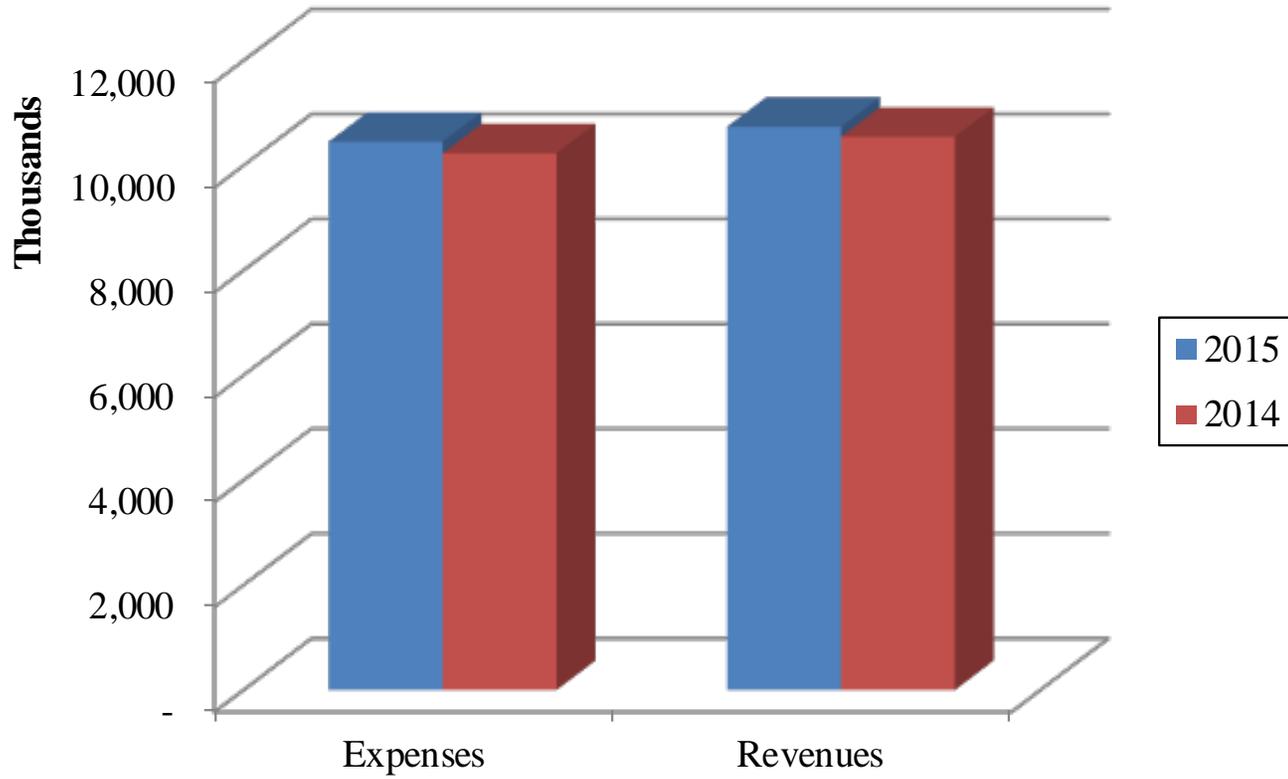
Capital Area District Library's Changes in Net Position

	Governmental activities	
	2015	2014
Revenues:		
Program revenues:		
Charges for services	\$ 309,216	\$ 325,010
State aid	140,650	140,780
Penal fines	700,738	577,289
Public contributions	77,466	63,622
General revenues:		
Property taxes	9,346,375	9,275,105
Investment earnings	38,642	35,839
Other	126,693	131,062
Total revenues	10,739,780	10,548,707
Expenses:		
Library services	10,455,272	10,232,902
Increase in net position	284,508	315,805
Net position, beginning of year, as restated	13,419,496	13,010,693
Net position, end of year	\$ 13,704,004	\$ 13,326,498

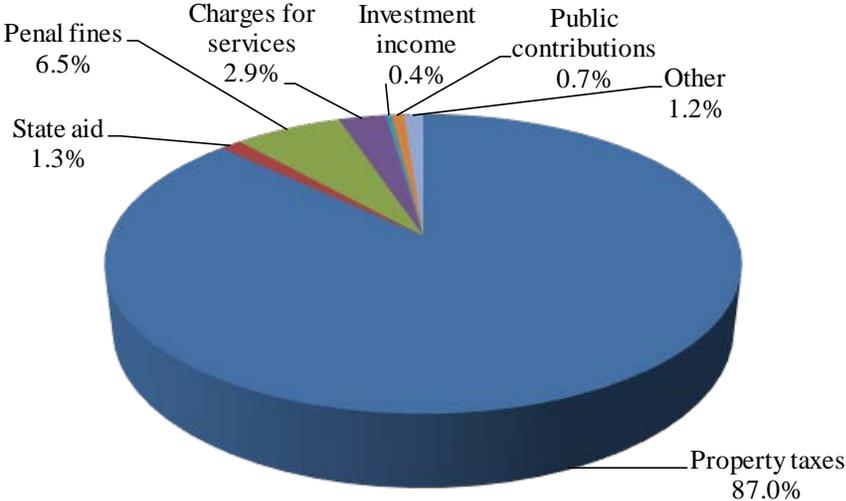
The 2014 numbers have not been restated for the adoption of GASB 68 and 71.

- Overall government activities revenue is up \$191,073 from prior year. The majority of the increase is due to collecting more property tax and penal fines than in the previous year.
- Expenses increased \$222,370. The increase can be attributed to an increase in spending for library materials and capital improvements.

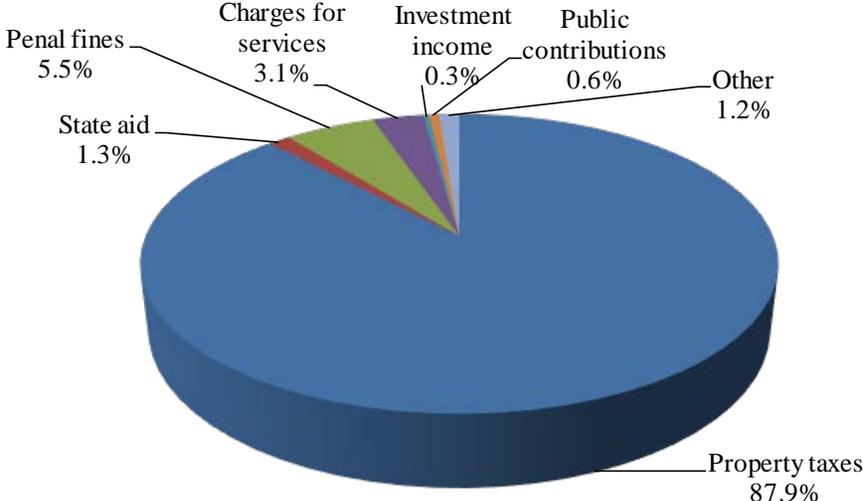
Capital Area District Library
Expenses and Revenues - Governmental Activities
December 31,



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



2015



2014

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 \$8,784,891, an increase of \$313,022 in comparison with the prior year. Approximately 36% of this total amount (\$3,190,315) 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 (\$3,400,000), 4) donations (\$361,357), 5) for subsequent year expenditures (\$600,000), or 6) prepaid contracted services (\$233,219).

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 \$3,190,315 while total fund balance reached \$8,784,891. 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 31 percent of total general fund expenditures, while total fund balance represents 84 percent of that same amount.

The fund balance of the Library's general fund increased by \$313,022 during fiscal year 2015. Key factors in this increase are as follows:

- Increase in property tax revenue
- Increase in penal fines received
- Spending within budgeted levels

Capital Asset and Debt Administration

Capital assets. The Library's net investment in capital assets for its governmental activities as of December 31, 2015, amounts to \$5,111,013 (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
- New roof and elevator modernization

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

	Governmental activities	
	2015	2014
Building and building improvements	\$ 746,015	\$ 513,062
Library books and materials	3,690,255	3,851,382
Furniture and equipment	674,743	727,459
Construction in progress - mobile application	-	7,375
	\$ 5,111,013	\$ 5,099,278

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 long-term debt outstanding of \$259,235. This represents compensated absences earned but not used as of year-end.

Capital Area District Library's Outstanding Debt

	Governmental activities	
	2015	2014
Compensated absences	\$ 259,235	\$ 244,649

The Library's total debt increased by \$14,586 (6 percent) 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 2016 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, 2015**

	Balance sheet general fund modified accrual basis	Adjustments	Statement of net position
ASSETS:			
Cash	\$ 6,230,106	\$ -	\$ 6,230,106
Investments	2,578,416	-	2,578,416
Receivables:			
Accounts	13,041	-	13,041
Taxes	9,625,947	-	9,625,947
Prepaid expenses	233,219	-	233,219
Capital assets, net of accumulated depreciation	-	5,111,013 ⁽¹⁾	5,111,013
TOTAL ASSETS	\$ 18,680,729	5,111,013	23,791,742
DEFERRED OUTFLOW OF RESOURCES:			
Pension related items	\$ -	354,398 ⁽²⁾	354,398
LIABILITIES:			
Accounts payable	128,335	-	128,335
Accrued payroll, taxes and withholding	90,229	-	90,229
Accrued retirement	49,500	-	49,500
Noncurrent liabilities:			
Due within one year	-	15,334 ⁽²⁾	15,334
Due in more than one year	-	243,901 ⁽²⁾	243,901
Net pension liability	-	290,837 ⁽²⁾	290,837
TOTAL LIABILITIES	268,064	550,072	818,136
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue - USF funds	3,774	(3,774) ⁽³⁾	-
Unavailable revenue - property taxes	9,624,000	-	9,624,000
TOTAL DEFERRED INFLOWS OF RESOURCES	9,627,774	(3,774)	9,624,000
FUND BALANCE/NET POSITION:			
Net investment in capital assets	-	5,111,013	5,111,013
Nonspendable - prepaid expenditures	233,219	(233,219)	-
Restricted - donations	305,657	-	305,657
Committed:			
Capital projects	500,000	(500,000)	-
Automation	500,000	(500,000)	-
Operations	3,400,000	(3,400,000)	-
Assigned - donations	55,700	(55,700)	-
Assigned - subsequent year expenditures	600,000	(600,000)	-
Unassigned/unrestricted	3,190,315	5,097,019	8,287,334
TOTAL FUND BALANCE/NET POSITION	8,784,891	\$ 4,919,113	\$ 13,704,004
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 18,680,729		

⁽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.

⁽³⁾ Revenue not collected within 60 days from year-end are not available to pay for current period expenditures, and therefore are deferred under the modified accrual basis of accounting and recognized under the full accrual method.

CAPITAL AREA DISTRICT LIBRARY
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

	Statement of revenue, expenditures and changes in fund balance general fund modified accrual basis	Adjustments	Statement of activities
REVENUES:			
Property taxes	\$ 9,346,375	\$ -	\$ 9,346,375
State aid	140,650	-	140,650
Penal fines	700,738	-	700,738
Charges for services	309,216	-	309,216
Investment income - net	38,642	-	38,642
Public contributions	77,466	-	77,466
Other	122,919	3,774 ⁽³⁾	126,693
	<u>10,736,006</u>	<u>3,774</u>	<u>10,739,780</u>
Total revenues			
	10,736,006	3,774	10,739,780
EXPENDITURES:			
Current:			
Salaries and employee benefits	6,752,325	44,023 ⁽²⁾	6,796,348
Materials	1,362,195	(1,023,970) ⁽⁴⁾	338,225
Supplies	110,625	-	110,625
Contractual services	390,764	-	390,764
Governance	52,171	-	52,171
Automated library system	256,735	-	256,735
Maintenance and utilities	671,472	-	671,472
Technology	290,828	(164,312) ⁽⁴⁾	126,516
Staff development	23,051	-	23,051
Capital outlay	380,905	(322,936) ⁽⁴⁾	57,969
Depreciation	-	1,499,483 ⁽⁴⁾	1,499,483
Miscellaneous	131,913	-	131,913
	<u>10,422,984</u>	<u>32,288</u>	<u>10,455,272</u>
Total expenditures			
	10,422,984	32,288	10,455,272
Net change in fund balance/net position	313,022	(28,514)	284,508
FUND BALANCE/NET POSITION,			
beginning of year, as restated	8,471,869	4,947,627	13,419,496
FUND BALANCE/NET POSITION, end of year	<u>\$ 8,784,891</u>	<u>\$ 4,919,113</u>	<u>\$ 13,704,004</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 four-year period, which began with a tax levy effective December 31, 2010. This millage provides funding of Library operations through December 31, 2014. In August of 2014, the voters of the district approved another 1.56 mill tax for a four-year period. This tax levy will be effective December 31, 2015 and will provide 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 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, 2015. 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 two 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 live.

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 only one type of item that qualifies for reporting in this category. The governmental funds report unavailable revenues from property taxes and USF funds, while the governmental-wide report only property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 percent 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 15 percent level, library management will replenish shortages/deficiencies by reduce 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 two 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 2014 tax is levied and collectible on December 1, 2014 and is recognized as revenue in the year ended December 31, 2015 financial statements, when the proceeds of the levy are budgeted and available for the financing operations. The 2014 taxable value of the district totaled \$6,194,111,845 (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, 2015, \$7,443,792 of the Library's bank balance of \$8,914,764 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 \$8,808,522 is reported as cash and investments on the financial statements as of December 31, 2015.

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	\$ 8,808,522
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As presented in the financial statements:

Cash	\$ 6,230,106
Investments	2,578,416
	\$ 8,808,522

NOTE 3 - CAPITAL ASSETS

The capital assets for the year ended December 31, 2015 was as follows:

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
Primary government:				
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 7,375	\$ -	\$ 7,375	\$ -
Capital assets being depreciated:				
Building and building improvement	699,305	262,126	-	961,431
Library books and materials	16,547,682	1,023,970	1,315,560	16,256,092
Furniture and equipment	3,175,763	232,497	42,223	3,366,037
Total capital assets, being depreciated	20,422,750	1,518,593	1,357,783	20,583,560
Less accumulated depreciation for:				
Building and building improvement	186,243	29,173	-	215,416
Library books and materials	12,696,300	1,185,097	1,315,560	12,565,837
Furniture and equipment	2,448,304	285,213	42,223	2,691,294
Total accumulated depreciation	15,330,847	1,499,483	1,357,783	15,472,547
Total capital assets, being depreciated, net	5,091,903	19,110	-	5,111,013
Total governmental activities, capital assets, net	\$ 5,099,278	\$ 19,110	\$ 7,375	\$ 5,111,013

Depreciation expense amounted to \$1,499,483.

**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, 2015 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	\$ 244,649	\$ 14,586	\$ -	\$ 259,235	\$ 15,334

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 7.00% of employees' gross earnings. In accordance with these requirements, the Library contributed \$23,959 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	2014 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		55/20
Early Retirement (Reduced):	50/25	50/25	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%	3.12%	0.29%
Act 88:	Yes	Yes	Yes
	(adopted 10/17/2001)	(adopted 10/17/2001)	(adopted 10/17/2001)

Employees covered by benefit terms. At the December 31, 2014 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	8
Active employees	64
	87
	87

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 7.00% 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, 2014, 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, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3% - 4%

Salary Increases: 4.5% in the long-term (1%, 2% and 3% for calendar years 2014, 2015 and 2016, respectively)

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

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3% - 4%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study that was performed as of December 31, 2014.

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 8.25%. 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 12/31/2013	\$ 6,223,126	\$ 6,071,025	\$ 152,101
Changes for the year:			
Service cost	365,896	-	365,896
Interest on total pension liability	520,792	-	520,792
Changes in benefits	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Employer contributions	-	245,098	(245,098)
Employee contributions	-	128,660	(128,660)
Net investment income	-	388,568	(388,568)
Benefit payments including employee refunds	(186,880)	(186,880)	-
Administrative expense	-	(14,374)	14,374
Other charges	-	-	-
Net changes	699,808	561,072	138,736
Balances as of 12/31/2014	\$ 6,922,934	\$ 6,632,097	\$ 290,837

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 8.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.25%) or 1% higher (9.25%) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Net Pension Liability at 12/31/2014	\$ -	\$ 290,837	\$ -
Change in Net Pension Liability (NPL)	957,272	-	(799,133)
Calculated NPL	\$ 1,248,109	\$ 290,837	\$ (508,296)

**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, 2015 the employer recognized pension expense of \$288,309. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Excess (deficit) investment returns	\$ 95,526	\$ -
Contributions subsequent to the measurement date*	258,872	-
	\$ 354,398	\$ -

* 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 2015.

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

Year end December 31,			
2016		\$	23,882
2017			23,882
2018			23,881
2019			23,881

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 2015 or any of the prior three 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, 2015, are summarized as follows:

Year ending December 31,	
2016	\$ 44,043
2017	45,363
2018	46,728
2019	48,129
2020	<u>36,900</u>
	<u><u>\$ 221,163</u></u>

During 2015 the Library paid \$42,879 for rental of the parking spaces.

NOTE 8 - NEW ACCOUNTING STANDARDS

For the year ended December 31, 2015 the Library implemented the following new pronouncements: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Summary:

GASB Statement No. 68 requires governments that participate in defined benefit pension plans to report in their statement of net position an actuarial calculation. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense.

GASB Statement No. 71 addressed the issue of contributions made to the defined benefit pension plans after the measurement date for the year in which GASB Statement No. 68 is implemented. The effect is to eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual basis financial statements.

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

NOTE 8 - NEW ACCOUNTING STANDARDS (Concluded)

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

	Governmental Activities
Net position as previously stated January 1, 2015	\$ 13,326,498
Adoption of GASB Statements 68 and 71:	
Net Pension Liability	(152,101)
Deferred Outflows	245,099
Net position as restated January 1, 2015	\$ 13,419,496

NOTE 9 - UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, was issued by the GASB in February 2015 and will be effective for the Library’s 2016 year end. The Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. The hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs – other than quoted prices – included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management’s assumption of the default rate among underlying mortgages of a mortgage-back security. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government’s financial position.

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

NOTE 9 - UPCOMING ACCOUNTING PRONOUNCEMENTS (Concluded)

Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, was issued by the GASB in August 2015 and will be effective for the Library's 2016 year end. The Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements in the footnotes of the financial statements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatements recipients.
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

This Statement will improve the user's ability on how tax abatements affect the reporting unit's financial positions and results of operations, including their ability to raise resources in the future.

REQUIRED SUPPLEMENTARY INFORMATION

**CAPITAL AREA DISTRICT LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2015**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Local sources:				
Property taxes	\$ 9,332,000	\$ 9,332,000	\$ 9,346,375	\$ 14,375
Penal fines	577,500	695,500	700,738	5,238
Charges for services	330,000	315,000	309,216	(5,784)
Investment income - net	45,000	45,000	38,642	(6,358)
Public contributions	70,000	76,000	77,466	1,466
Other	134,700	128,700	122,919	(5,781)
Total local sources	<u>10,489,200</u>	<u>10,592,200</u>	<u>10,595,356</u>	<u>3,156</u>
State sources	<u>141,800</u>	<u>141,800</u>	<u>140,650</u>	<u>(1,150)</u>
Total revenues	<u>10,631,000</u>	<u>10,734,000</u>	<u>10,736,006</u>	<u>2,006</u>
EXPENDITURES:				
Current:				
Salaries and employee benefits	7,038,500	7,038,500	6,752,325	286,175
Materials	1,459,354	1,539,336	1,362,195	177,141
Supplies	129,500	118,800	110,625	8,175
Contractual services	371,010	400,210	390,764	9,446
Governance	64,350	64,350	52,171	12,179
Automated library system	299,664	299,664	256,735	42,929
Maintenance and utilities	773,800	773,800	671,472	102,328
Technology	266,100	339,645	290,828	48,817
Staff development	25,900	27,900	23,051	4,849
Capital outlay	180,722	455,369	380,905	74,464
Miscellaneous	233,600	224,843	131,913	92,930
Total expenditures	<u>10,842,500</u>	<u>11,282,417</u>	<u>10,422,984</u>	<u>859,433</u>
NET CHANGE IN FUND BALANCE	<u>\$ (211,500)</u>	<u>\$ (548,417)</u>	313,022	<u>\$ 861,439</u>
FUND BALANCE:				
Beginning of year, as restated			<u>8,471,869</u>	
End of year			<u>\$ 8,784,891</u>	

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

	2014
Total pension liability	
Service cost	\$ 365,896
Interest	520,792
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	-
Benefit payments including employee refunds	(186,880)
Other	-
	699,808
Net change in total pension liability	699,808
Total pension liability beginning	6,223,126
Total pension liability ending	\$ 6,922,934
Plan fiduciary net position	
Contributions-employer	\$ 245,098
Contributions-employee	128,660
Net investment income	388,568
Benefit payments including employee refunds	(186,880)
Administrative expense	(14,374)
	561,072
Net change in plan fiduciary net position	561,072
Plan fiduciary net position beginning	6,071,025
Plan fiduciary net position ending	\$ 6,632,097
Employer net pension liability	\$ 290,837
Plan fiduciary net position as a percentage of the total pension liability	95.80%
Covered employee payroll	\$ 3,106,622
Employer's net pension liability as a percentage of covered employee payroll	9.36%

Notes to schedule:

Benefit changes - there were no changes of benefits in 2014.

Changes in assumptions - there were no assumption changes in 2014.

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**

	2014
Actuarial determined contributions	\$ 245,098
Contributions in relation to the actuarially determined contribution	245,098
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 3,106,622
Contributions as a percentage of covered employee payroll	7.89%

Notes to Schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	24 years
Asset valuation method	10 year smoothed
Inflation	3.5%
Salary Increases	4.5%
Investment rate of return	8.0%
Retirement age	Varies depending on plan adoption
Mortality	50% Female/50% Male 1994 Group Annuity Mortality Table

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

ADDITIONAL SUPPLEMENTARY INFORMATION

**CAPITAL AREA DISTRICT LIBRARY
GENERAL FUND
BALANCE SHEETS
DECEMBER 31, 2015 AND 2014**

	2015	2014
ASSETS		
ASSETS:		
Cash	\$ 6,230,106	\$ 6,085,750
Investments	2,578,416	2,302,046
Receivables:		
Accounts	13,041	7,003
Taxes	9,625,947	9,335,351
Prepaid expense	233,219	403,374
TOTAL ASSETS	\$ 18,680,729	\$ 18,133,524
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
LIABILITIES:		
Accounts payable	\$ 128,335	\$ 149,513
Accrued payroll, taxes and withholding	90,229	137,171
Accrued retirement	49,500	42,971
TOTAL LIABILITIES	268,064	329,655
DEFERRED INFLOWS OF RESOURCES:		
Unavailable revenue - USF funds	3,774	-
Unavailable revenue - property taxes	9,624,000	9,332,000
TOTAL DEFERRED INFLOWS OF RESOURCES	9,627,774	9,332,000
FUND BALANCE:		
Nonspendable - prepaid expenditures	233,219	403,374
Restricted - donations	305,657	293,451
Committed:		
Capital projects	500,000	500,000
Automation	500,000	500,000
Operations	3,400,000	3,400,000
Assigned - donations	55,700	40,848
Assigned - subsequent year expenditures	600,000	211,500
Unassigned	3,190,315	3,122,696
TOTAL FUND BALANCE	8,784,891	8,471,869
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 18,680,729	\$ 18,133,524

**CAPITAL AREA DISTRICT LIBRARY
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
REVENUES:		
Property taxes	\$ 9,346,375	\$ 9,275,105
State aid	140,650	140,780
Penal fines	700,738	577,289
Charges for services	309,216	325,010
Investment income - net	38,642	35,839
Public contributions	77,466	63,622
Other	<u>122,919</u>	<u>131,062</u>
Total revenues	<u>10,736,006</u>	<u>10,548,707</u>
EXPENDITURES:		
Current:		
Salaries and employee benefits	6,752,325	6,651,947
Materials	1,362,195	1,228,314
Supplies	110,625	117,309
Contractual services	390,764	353,769
Governance	52,171	37,968
Automated library system	256,735	257,939
Maintenance and utilities	671,472	665,415
Technology	290,828	269,999
Staff development	23,051	26,086
Capital outlay	380,905	155,611
Miscellaneous	<u>131,913</u>	<u>155,323</u>
Total expenditures	<u>10,422,984</u>	<u>9,919,680</u>
Net change in fund balance	313,022	629,027
FUND BALANCE, beginning of year	<u>8,471,869</u>	<u>7,842,842</u>
FUND BALANCE, end of year	<u><u>\$ 8,784,891</u></u>	<u><u>\$ 8,471,869</u></u>