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# Canton Public Library

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**Financial Report  
with Supplemental Information  
December 31, 2019**

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## **Independent Auditor's Report**

To the Board of Trustees  
Canton Public Library

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the General Fund of Canton Public Library (the "Library") as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise Canton Public 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Canton Public Library as of December 31, 2019 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees  
Canton Public Library

**Other Matter**

*Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental 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, which 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 supplemental 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.

*Plante & Moran, PLLC*

April 3, 2020

The following discussion and analysis of the financial performance of Canton Public Library (the “Library”) provides an overview of the Library’s financial activities for the fiscal year ended December 31, 2019. This discussion and analysis should be read in conjunction with the Library’s financial statements.

**Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library’s finances. This longer-term view uses the economic resources measurement focus and the accrual basis of accounting to demonstrate the cost of providing services during the current year and the degree to which the taxpayers have funded the full cost of providing library services.

The fund financial statements present a short-term view and demonstrate how the taxpayers’ resources were spent during the year, as well as how much is available for future spending, on a modified accrual basis. The fund financial statements report the Library’s operations in more detail than the government-wide financial statements by providing information about the Library’s funds.

**Statement of Net Position/Statement of Activities**

The following table shows, in a condensed format, the current year’s net position and changes in net position as of December 31, 2019 and 2018 (in thousands of dollars):

	2019	2018	Changes from Prior Year	
			Dollars	Percent
<b>Assets</b>				
Current assets	\$ 9,717	\$ 9,220	\$ 497	5.4 %
Capital assets	11,683	11,567	116	1.0
Total assets	21,400	20,787	613	2.9
<b>Deferred Outflows</b>	447	171	276	161.4
<b>Liabilities</b>				
Current liabilities	202	151	51	33.5
Noncurrent liabilities	517	81	436	538.2
Total liabilities	719	232	487	210.2
<b>Deferred Inflows</b>	6,142	6,068	74	1.2
<b>Net Position</b>				
Net investment in capital assets	11,683	11,567	116	1.0
Unrestricted	3,303	3,091	212	6.9
Total net position	<b>\$ 14,986</b>	<b>\$ 14,658</b>	<b>\$ 328</b>	2.2

## Management's Discussion and Analysis

	2019	2018	Changes from Prior Year	
			Dollars	Percent
<b>Revenue</b>				
Property taxes	5,923	5,707	\$ 216	3.8 %
State aid	72	67	5	7.9
Other income	276	275	1	0.5
Total revenue	6,271	6,049	222	3.7
<b>Expenditures</b>				
Salaries and fringe benefits	3,370	3,116	254	8.1
Depreciation	1,092	971	121	12.4
Other	1,480	1,499	(19)	(1.3)
Total expenditures	5,942	5,586	356	6.4
<b>Other Financing Uses</b>	(1)	-	(1)	(100.0)
<b>Excess of Revenue Over Expenditures:</b>	<b>\$ 328</b>	<b>\$ 463</b>	<b>\$ (135)</b>	<b>(29.1)</b>

### Financial Highlights

The Library's General Fund accounts for all programming, materials, maintenance, capital investments, and administrative functions of the Library. The budget is monitored closely and amended quarterly, if needed. General Fund activities are financed by revenue from local property taxes, penal fines, state aid, and other sources.

Using the full accrual method, revenue for the Library during the year totaled \$6,270,945, exceeding expenditures by \$328,343 and resulting in a positive cumulative balance of the government-wide net position of \$14,986,706.

### Capital Asset and Debt Administration

During the year, the Library purchased office equipment, computer equipment, materials, and furniture, and updated the building in certain indoor and outdoor areas. The Library adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund-type Definitions, in 2011, assigning a portion of fund balance for capital expenditures and replacements such as carpet, wall coverings, paint, windows, doors, skylights, equipment, furniture, and fixtures. Major mechanical systems will be monitored annually for overhaul or replacement, such as the boiler, humidifier system, other plumbing systems, and roof-mounted HVAC units.

### Economic Factors and Next Year's Budgets and Rates

Approximately 94 percent of the Library's revenue in the General Fund comes from local property taxes, and the remainder comes from other sources such as interest on investments, fines, fees, penal fines, state aid, and donations.

The Library's net property tax revenue in 2019 increased 3.8 percent compared to 2018; in coming years, management expects taxable values to slowly increase as growth and the economy improves. The Library is also anticipating property tax revenue to increase by about \$160,000 per year due to opting out of the local Downtown Development Authority (DDA) tax capture.

While state aid to the Library increased slightly in 2019 compared to 2018, the total amount of state aid is well below what is statutorily required and may be reduced in future years as the State continues to make substantial budget cuts, particularly to revenue sharing. Cost-cutting measures at the state level leaves state aid to public libraries, as well as funding of shared state-wide resources such as interlibrary loan and research materials (both physical and digital), in a precarious and unpredictable situation.

The phase-in of state minimum wage increases in late 2014, early 2016, 2017, 2018, 2020 and 2021 will have ripple effects on the Library's salary schedule as pay grades are adjusted across the board. Also at the state level, acts passed by the state legislature in December 2012 eliminating personal property tax, which were approved by the electorate in a state-wide vote in August 2014, have had a negative, though minimal, impact on the Library's financial position.

The Library will continue to monitor fringe benefits, particularly liabilities related to the defined benefit pension plan discussed in Note 8 and the Library's compliance with provisions of the federal Patient Protection and Affordable Care Act, which impacted the Library's fringe benefit costs beginning in 2014. Use of the General Fund may be required to maintain full actuarial funding of the defined benefit pension plan and to comply with provisions of GASB Statement No. 68 regarding accounting and financial reporting for pensions. Use of the General Fund may also be required as further PPACA regulations become effective over the next several years.

Management will continue to monitor and evaluate capital improvements and major maintenance projects in light of these economic factors as the library building exceeds 30 years of age. Transfers from the fund balance to the General Fund are planned to finance capital expenditures, which in 2019 included the renovation of the Friends of the Library donation area, replacement of the main parking lots, replacement of our boiler system and the addition of a sidewalk along the west drive. This will continue over the next couple of years as the major mechanicals, remaining areas and exterior grounds are updated and refreshed. The anticipation of these future capital expenditures is included in our assigned fund balance pursuant to GASB Statement No. 54.

It is unknown at this time if the COVID-19 outbreak will have an impact on the Library's future funding sources. Management will continue to monitor the situation and overall impact to the Library's financial statements.

**Contacting the Library's Management**

This financial report is intended to provide the citizens, taxpayers, customers, and investors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Canton Public Library director at 1200 S. Canton Center Rd., Canton, MI 48188 or via the Library's website at [www.cantonpl.org](http://www.cantonpl.org).

# Canton Public Library

## Governmental Fund Balance Sheet/Statement of Net Position

December 31, 2019

	General Fund - Modified Accrual Basis	Adjustments (Note 2)	Statement of Net Position - Full Accrual Basis
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 6,638,725	\$ -	\$ 6,638,725
Receivables - Property taxes	2,953,160	-	2,953,160
Prepays	125,002	-	125,002
Capital assets:			
Assets not subject to depreciation (Note 4)	-	86,081	86,081
Assets subject to depreciation - Net (Note 4)	-	11,597,178	11,597,178
Total assets	9,716,887	11,683,259	21,400,146
<b>Deferred Outflows of Resources</b> - Deferred pension costs (Note 8)	-	447,037	447,037
Total assets and deferred outflows of resources	<u>\$ 9,716,887</u>	12,130,296	21,847,183
<b>Liabilities</b>			
Accounts payable	\$ 201,512	-	201,512
Noncurrent liabilities:			
Due within one year - Compensated absences	-	98,661	98,661
Due in more than one year - Net pension liability	-	418,252	418,252
Total liabilities	201,512	516,913	718,425
<b>Deferred Inflows of Resources</b>			
Property taxes levied for the following year	6,089,480	-	6,089,480
Deferred pension cost reductions (Note 8)	-	52,572	52,572
Total deferred inflows of resources	6,089,480	52,572	6,142,052
<b>Equity</b>			
Fund balance:			
Nonspendable	125,002	(125,002)	-
Assigned - Capital improvement	2,726,300	(2,726,300)	-
Unassigned	574,593	(574,593)	-
Total fund balance	3,425,895	(3,425,895)	-
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 9,716,887</u>		
Net position:			
Net investment in capital assets		11,683,259	11,683,259
Unrestricted		3,303,447	3,303,447
Total net position		<u>\$ 14,986,706</u>	<u>\$ 14,986,706</u>



# Canton Public Library

## Statement of Revenue, Expenditures, and Changes in Fund Balances/Statement of Activities

Year Ended December 31, 2019

	General Fund - Modified Accrual Basis	Adjustments (Note 2)	Statement of Activities - Full Accrual Basis
<b>Revenue</b>			
Property taxes	\$ 5,923,345	\$ -	\$ 5,923,345
State aid	72,276	-	72,276
Fees	55,450	-	55,450
Fines	129,934	-	129,934
Interest and rentals:			
Investment earnings	35,404	-	35,404
Rental income	9,722	-	9,722
Contributions and donations	44,814	-	44,814
<b>Total revenue</b>	<b>6,270,945</b>	<b>-</b>	<b>6,270,945</b>
<b>Expenditures</b>			
Salaries and fringe benefits	3,250,147	119,573	3,369,720
Library books and materials	842,886	(389,492)	453,394
Supplies	110,932	-	110,932
Professional and contractual services	294,945	-	294,945
Communications	20,770	-	20,770
Conferences, workshops, and travel	24,865	-	24,865
Printing and publishing	11,544	-	11,544
Community relations	10,004	-	10,004
Insurance and bonds	51,152	-	51,152
Utilities	155,677	-	155,677
Building and repair and maintenance	183,260	-	183,260
Rentals	23,204	-	23,204
Building improvements	9,359	-	9,359
Loss on disposal of assets	-	130,568	130,568
Capital outlay	949,426	(949,426)	-
Depreciation	-	1,092,098	1,092,098
<b>Total expenditures</b>	<b>5,938,171</b>	<b>3,321</b>	<b>5,941,492</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>332,774</b>	<b>(3,321)</b>	<b>329,453</b>
<b>Other Financing Uses</b> - Transfer to the Foundation (Note 9)	<b>(1,110)</b>	<b>-</b>	<b>(1,110)</b>
<b>Net Change in Fund Balance/Net Position</b>	<b>331,664</b>	<b>(3,321)</b>	<b>328,343</b>
<b>Fund Balance/Net Position</b> - Beginning of year	<b>3,094,231</b>	<b>11,564,132</b>	<b>14,658,363</b>
<b>Fund Balance/Net Position</b> - End of year	<b>\$ 3,425,895</b>	<b>\$ 11,560,811</b>	<b>\$ 14,986,706</b>

**Note 1 - Significant Accounting Policies**

***Accounting and Reporting Principles***

Canton Public Library (the "Library") is governed by a six-member board of trustees. It follows accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Government Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the Library:

***Reporting Entity***

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements.

***Basis of Accounting***

The Library reports the following major governmental fund:

**General Fund**

The General Fund contains the records of the ordinary activities of the Library that are not accounted for in another fund. General Fund activities are financed by revenue from the general property taxes, penal fines, state aid, and other sources.

The fund is budgeted and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenue to be available if it is 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 relating to compensated absences are recorded only when payment is due.

In addition to presenting information for the General Fund on the modified accrual basis (as budgeted), the financial statements present information for the Library using the economic resources measurement focus and the accrual basis of accounting. This information is intended to demonstrate the degree to which taxpayers have funded the full cost of services received. Revenue is 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.

When an expense is incurred for purposes for which both restricted and unrestricted fund balance is available, the Library's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the Library's policy to spend funds in this order: committed, assigned, and unassigned.

The Library follows all pronouncements of the Governmental Accounting Standards Board.

***Specific Balances and Transactions***

**Cash and Cash Equivalents**

The Library considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Note 1 - Significant Accounting Policies (Continued)

Capital Assets

Capital assets are defined by the Library as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Building improvements, furniture and fixtures, equipment, library books, periodicals, etc. are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Buildings	40-60
Office equipment	5
Furniture	10
Computing/Network hardware and software	3-10
Library materials	7
Technology control and automation systems	10-15
Building improvements	10-30

Fund Balance Policies

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

- Nonspendable - Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- Restricted - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- Committed - Amounts that have been formally set aside by the board of trustees for use for specific purposes. Commitments are made and can be rescinded only via resolution of the board of trustees.
- Assigned - Intent to spend resources on specific purposes expressed by the library director, who is authorized by resolution of the board of trustees to make assignments
- Unassigned - Amounts not otherwise categorized above and available to be spent for any purpose

At December 31, 2019, the Library's fund balance was composed of amounts that are nonspendable, assigned, and unassigned.

Property Tax Revenue

Properties are assessed as of December 31. The taxes are billed and become a lien on December 1 of the following year; they are due on February 14, with the final collection date of February 28 before they are added to the county tax rolls.

Property taxes billed during the month of December will be used to finance the following year's operations. As such, those taxes billed during December are included in deferred inflows.

The property taxes for the Library are assessed to the residents of Canton Township. The 2018 taxable valuation of the Library totaled approximately \$3,918 million (a portion of which is abated and a portion of which is captured by the Tax Increment Financing Authority), on which taxes levied consisted of 1.5006 mills for library operating purposes. This resulted in approximately \$6 million for operating, which is recorded in the General Fund, net of Wayne County, Michigan chargebacks and Michigan Tax Tribunal adjustments.

**Note 1 - Significant Accounting Policies (Continued)**

Pension

The Library offers pension benefits to retirees. The Library records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred inflows of resources related to pensions, deferred outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Library's pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Compensated Absences (Vacation and Sick Leave)

It is the Library's policy to permit employees to accumulate earned but unused vacation pay benefits. All vacation is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Upcoming Accounting Pronouncement

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that were previously 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 an 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. The Library is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Library's financial statements for the year ending December 31, 2021.

**Note 2 - Reconciliation of Individual Fund Column of the Statement of Net Position/Statement of Activities**

Net position reported in the statement of net position column is different than the fund balance reported in the individual fund column because of the different measurement focus and basis of accounting, as discussed in Note 1. Below is a reconciliation of the differences:

<b>Fund Balance Reported in Governmental Fund</b>	\$ 3,425,895
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the fund:	
Cost of capital assets	23,148,215
Accumulated depreciation	<u>(11,464,956)</u>
Net capital assets used in governmental activities	11,683,259
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(98,661)
Pension benefits	<u>(23,787)</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 14,986,706</u></u>

December 31, 2019

**Note 2 - Reconciliation of Individual Fund Column of the Statement of Net Position/Statement of Activities (Continued)**

The change in net position reported in the statement of activities column is different than the change in fund balance reported in the individual fund column because of the different measurement focus and basis of accounting, as discussed in Note 1. Below is a reconciliation of the differences:

<b>Net Change in Fund Balance Reported in Governmental Fund</b>	\$ 331,664
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	116,252
Some employee costs (pension and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	<u>(119,573)</u>
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 328,343</u></u>

**Note 3 - Cash and Cash Equivalents**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library has designated one bank for the deposit of its funds and one foundation for the endowment fund deposits. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority, as listed above. The Library's investments comply with all required laws and regulations.

The Library's cash and investments are subject to several types of risk, which are examined in more detail below:

***Custodial Credit Risk of Bank Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. At year end, the Library had \$6,187,622 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Library believes that, due to the dollar amounts of cash deposits and the limits of Federal Deposit Insurance Corporation (FDIC) insurance, it is impractical to insure all deposits. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

December 31, 2019

**Note 4 - Capital Assets**

Capital asset activity of the Library's governmental activities was as follows:

	Balance January 1, 2019	Additions	Disposals and Adjustments	Balance December 31, 2019
Capital assets not being depreciated:				
Land	\$ 67,500	\$ -	\$ -	\$ 67,500
Construction in progress	-	18,581	-	18,581
Subtotal	67,500	18,581	-	86,081
Capital assets being depreciated:				
Buildings, fixtures, and improvements	13,056,057	619,530	(220,730)	13,454,857
Furniture and equipment	1,958,190	162,410	(196,381)	1,924,219
Hardware	1,253,975	131,449	(50,361)	1,335,063
Software	853,388	17,456	-	870,844
Library materials	5,927,191	389,492	(839,532)	5,477,151
Subtotal	23,048,801	1,320,337	(1,307,004)	23,062,134
Accumulated depreciation:				
Buildings, fixtures, and improvements	4,901,077	391,422	(94,165)	5,198,334
Furniture and equipment	996,669	137,610	(193,178)	941,101
Hardware	826,414	99,605	(49,561)	876,458
Software	800,599	23,920	-	824,519
Library materials	4,024,535	439,541	(839,532)	3,624,544
Subtotal	11,549,294	1,092,098	(1,176,436)	11,464,956
Net capital assets being depreciated	11,499,507	228,239	(130,568)	11,597,178
Net governmental activities capital assets	<u>\$ 11,567,007</u>	<u>\$ 246,820</u>	<u>\$ (130,568)</u>	<u>\$ 11,683,259</u>

Capital assets, including library books, are recorded at cost. Depreciation expense was \$1,092,098 for the year ended December 31, 2019.

**Construction Commitments**

The Library has active construction project at year end related to the energy savings project. At year end, the Library had spent \$319,800 to date, and the remaining commitment is \$453,728.

**Note 5 - Risk Management**

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

**Note 6 - Defined Contribution Retirement Plans**

The Library offers all regular and exempt employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The assets of the plan are held in trust (custodial account or annuity contract), as described in IRC Section 457(g), for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in this account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Library's financial statements.

The Library offers eligible full-time employees hired on or after January 1, 2018 a defined contribution plan created in accordance with Internal Revenue Code Section 401(a). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan provides an employer match of up to 5 percent of eligible salaries and wages. The employer contributions for the defined contribution plan were \$11,165 for the year ended December 31, 2019.

**Note 7 - Budget Information**

The annual budget is prepared by the Library's management and adopted by the library board; subsequent amendments are approved by the library board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2019 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America and adopted on the same basis for the General Fund, with the exception of accounting for property tax refunds, which are budgeted and reported as an expenditure on the budgetary basis, but reported as a reduction to revenue in the General Fund in accordance with GAAP. The budget statement (budgetary comparison schedule - General Fund) is presented on the same basis of accounting and level of detail as the adopted budget.

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. There were no unfavorable expenditure budget variances.

**Note 8 - Pension Plan**

***Plan Description***

The Library participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS) that covers regular full-time and exempt employees of the Library hired on or before December 31, 2017. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report, which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at [www.mersofmichigan.com](http://www.mersofmichigan.com) or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

***Benefits Provided***

The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

Retirement benefits for employees are calculated as 2.50 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60, with early retirement at 50 with 25 years of service or 55 with 15 years of service. The vesting period is 10 years.



**Note 8 - Pension Plan (Continued)**

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the board of trustees.

**Employees Covered by Benefit Terms**

At the December 31, 2018 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	12
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	14
	14
Total employees covered by the plan	28

**Contributions**

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. 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 costs of benefits earned by plan members 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.

For the year ended December 31, 2019, the Library made an annual contribution in excess of the minimum recommended by MERS.

**Net Pension Liability**

The net pension liability reported at December 31, 2019 was determined using a measure of the total pension liability and the pension net position as of the December 31, 2018. The December 31, 2018 total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability (asset) during the measurement year were as follows:

Changes in Net Pension (Asset) Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension (Asset) Liability
<b>Balance at December 31, 2017</b>	\$ 4,545,687	\$ 4,640,055	\$ (94,368)
Changes for the year:			
Service cost	104,308	-	104,308
Interest	355,909	-	355,909
Differences between expected and actual experience	17,411	-	17,411
Contributions - Employer	-	85,000	(85,000)
Contributions - Employee	-	68,761	(68,761)
Net investment loss	-	(179,720)	179,720
Benefit payments, including refunds	(297,960)	(297,960)	-
Administrative expenses	-	(9,033)	9,033
	179,668	(332,952)	512,620
<b>Balance at December 31, 2018</b>	\$ 4,725,355	\$ 4,307,103	\$ 418,252



December 31, 2019

**Note 8 - Pension Plan (Continued)**

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

For the year ended December 31, 2019, the Library recognized pension expense of \$202,357.

At December 31, 2019, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 43,050	\$ -
Changes in assumptions	13,058	(52,572)
Net difference between projected and actual earnings on pension plan investments	290,929	-
Employer contributions to the plan subsequent to the measurement date	100,000	-
Total	\$ 447,037	\$ (52,572)

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

Years Ending December 31	Amount
2020	\$ 153,874
2021	50,482
2022	90,109
Total	\$ 294,465

***Actuarial Assumptions***

The total pension liability in the December 31, 2018 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3.75 percent, an investment rate of return (net of investment expenses) of 7.75 percent, and the RP-2014 mortality tables. These assumptions were applied to all period included in the measurement.

***Discount Rate***

The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

***Projected Cash Flows***

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Note 8 - Pension Plan (Continued)**

**Investment Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2018, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	55.50 %	6.15 %
Global fixed income	18.50	1.26
Real assets	13.50	7.22
Diversifying strategies	12.50	5.00

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the Library, calculated using the discount rate of 8.00 percent, as well as what the Library's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00 percent) or 1 percentage point higher (9.00 percent) than the current rate:

	1 Percentage Point Decrease (7.00%)	Current Discount Rate (8.00%)	1 Percentage Point Increase (9.00%)
Net pension liability of the Library	\$ 867,646	\$ 418,252	\$ 43,244

**Pension Plan Fiduciary Net Position**

Detailed information about the plan's fiduciary net position is available in the separately issued financial report found at [www.mersofmich.com](http://www.mersofmich.com). The plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

**Note 9 - Endowment Funds Held by a Third Party**

In 2015, the Library transferred the endowment assets to the Canton Community Foundation (the "Foundation") for administration of the Endowment Fund. The Foundation maintains unilateral variance power and legal ownership of the endowment fund; therefore, these assets are not reflected in these financial statements. The balance of the assets held at the Foundation is \$549,723 at December 31, 2019.

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## Required Supplemental Information

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# Canton Public Library

## Required Supplemental Information Budgetary Comparison Schedule General Fund

**Year Ended December 31, 2019**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Property taxes	\$ 5,771,500	\$ 5,922,269	\$ 5,923,345	\$ 1,076
State aid	58,000	72,276	72,276	-
Fees	54,500	54,100	55,450	1,350
Fines	161,000	127,309	129,934	2,625
Fund balance appropriation	866,200	971,900	-	(971,900)
Interest and rentals:				
Investment earnings	10,000	35,000	35,404	404
Rental income	9,000	9,200	9,722	522
Contributions and donations	11,100	43,521	44,814	1,293
	<u>6,941,300</u>	<u>7,235,575</u>	<u>6,270,945</u>	<u>(964,630)</u>
<b>Expenditures</b>				
Salaries and fringe benefits	3,468,700	3,412,700	3,250,147	(162,553)
Library books and materials - Books, periodicals, and other library materials	840,000	846,271	842,886	(3,385)
Supplies	172,270	123,020	110,932	(12,088)
Professional and contractual services	355,020	316,005	294,945	(21,060)
Communications	31,800	23,900	20,770	(3,130)
Conferences, workshops, and travel	33,400	30,725	24,865	(5,860)
Printing and publishing	48,300	12,400	11,544	(856)
Community relations	16,550	11,550	10,004	(1,546)
Insurance and bonds	60,300	51,300	51,152	(148)
Utilities	210,000	162,000	155,677	(6,323)
Building and repair and maintenance	239,800	196,175	183,260	(12,915)
Rentals	32,000	26,450	23,204	(3,246)
Building improvements	20,000	9,700	9,359	(341)
Reserve/Contingency	546,460	1,039,979	-	(1,039,979)
Capital outlay	866,200	971,900	949,426	(22,474)
	<u>6,940,800</u>	<u>7,234,075</u>	<u>5,938,171</u>	<u>(1,295,904)</u>
<b>Excess of Revenue Over Expenditures</b>	500	1,500	332,774	331,274
<b>Other Financing Uses</b> - Endowment transfers	(500)	(1,500)	(1,110)	390
<b>Net Change in Fund Balance</b>	-	-	331,664	331,664
<b>Fund Balance</b> - Beginning of year	3,094,231	3,094,231	3,094,231	-
<b>Fund Balance</b> - End of year	<u>\$ 3,094,231</u>	<u>\$ 3,094,231</u>	<u>\$ 3,425,895</u>	<u>\$ 331,664</u>

## Canton Public Library

### Required Supplemental Information Schedule of Library Defined Pension Contributions

**Last Ten Fiscal Years  
Years Ended December 31**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily required contribution	\$ 103,125	\$ 101,125	\$ 152,316	\$ 123,449	\$ 120,676	\$ 113,943	\$ 105,418	\$ 93,573	\$ 88,817	\$ 95,213
Contributions in relation to the statutorily required contribution	168,761	153,761	199,947	130,426	614,676	274,799	105,418	93,573	88,817	95,213
<b>Contribution Excess</b>	<b>\$ (65,636)</b>	<b>\$ (52,636)</b>	<b>\$ (47,631)</b>	<b>\$ (6,977)</b>	<b>\$ (494,000)</b>	<b>\$ (160,856)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Library's Covered Payroll</b>	\$ 930,014	\$ 903,102	\$ 978,035	\$ 942,185	\$ 888,630	\$ 893,736	\$ 804,446	\$ 754,276	\$ 796,022	\$ 809,026
<b>Contributions as a Percentage of Covered Payroll</b>	18.15 %	17.03 %	20.44 %	13.84 %	69.17 %	30.75 %	13.10 %	12.41 %	11.16 %	11.77 %

Required Supplemental Information  
Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios

**Last Five Fiscal Years**  
**(Schedule is built prospectively upon implementation of GASB Statement No. 68)**

	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service cost	\$ 104,308	\$ 114,234	\$ 106,938	\$ 99,171	\$ 99,741
Interest	355,909	344,944	337,095	321,256	306,718
Differences between expected and actual experience	17,411	(27,731)	(64,424)	(50,821)	-
Changes in assumptions	-	-	-	215,252	-
Benefit payments, including refunds	(297,960)	(280,894)	(289,393)	(248,736)	(211,163)
<b>Net Change in Total Pension Liability</b>	179,668	150,553	90,216	336,122	195,296
<b>Total Pension Liability - Beginning of year</b>	4,545,687	4,395,134	4,304,918	3,968,796	3,773,500
<b>Total Pension Liability - End of year</b>	<b>\$ 4,725,355</b>	<b>\$ 4,545,687</b>	<b>\$ 4,395,134</b>	<b>\$ 4,304,918</b>	<b>\$ 3,968,796</b>
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 85,000	\$ 131,000	\$ 65,117	\$ 552,472	\$ 213,018
Contributions - Member	68,761	68,947	65,309	62,204	61,781
Net investment (loss) income	(179,720)	554,885	439,267	(50,541)	211,550
Administrative expenses	(9,033)	(8,796)	(8,675)	(7,933)	(7,847)
Benefit payments, including refunds	(297,960)	(280,894)	(289,393)	(248,736)	(211,163)
<b>Net Change in Plan Fiduciary Net Position</b>	(332,952)	465,142	271,625	307,466	267,339
<b>Plan Fiduciary Net Position - Beginning of year</b>	4,640,055	4,174,913	3,903,288	3,595,822	3,328,483
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 4,307,103</b>	<b>\$ 4,640,055</b>	<b>\$ 4,174,913</b>	<b>\$ 3,903,288</b>	<b>\$ 3,595,822</b>
<b>Library's Net Pension Liability (Asset) - Ending</b>	<b>\$ 418,252</b>	<b>\$ (94,368)</b>	<b>\$ 220,221</b>	<b>\$ 401,630</b>	<b>\$ 372,974</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	91.15 %	102.08 %	94.99 %	90.67 %	90.60 %
<b>Covered Payroll</b>	\$ 903,102	\$ 978,035	\$ 942,185	\$ 888,630	\$ 893,736
<b>Library's Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	46.31 %	(9.65)%	23.37 %	45.20 %	41.73 %

**Note to Schedule of Library Contributions**

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31 each year, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	21 years
Asset valuation method	Five-year smoothed market
Inflation	2.5 percent
Salary increase	3.75 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expenses
Retirement age	60
Mortality	50 percent male - 50 percent female blend of the 2014 Group Annuity Mortality Table
Other information	None