

Ypsilanti District Library

Financial Statements

For the Year Ended November 30, 2019

With Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

Library Board
Ypsilanti District Library
Ypsilanti, Michigan

We have audited the accompanying financial statements of the governmental activities, and each major fund, of the Ypsilanti District Library, as of and for the year ended November 30, 2019, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of Ypsilanti District Library, as of November 30, 2019, and the respective changes in financial position and the budgetary comparison for the general fund, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The schedule of operating expenditures is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of operating expenditures 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in the schedule of operating expenditures is fairly stated in all material respects in relation to the basic financial statements as a whole.

Clark, Schaefer, Hackett & Co.

East Lansing, Michigan

March 19, 2020

The discussion and analysis of the Ypsilanti District Library's (the "Library") financial performance provides an overview of the Library's financial activities for the fiscal year ended November 30, 2019. Please read it in conjunction with the Library's financial statements.

Using this Annual Report

The funds are presented on the modified accrual basis of accounting, which is a short-term view that focuses on how taxpayer's resources are spent during the current period and the amounts of those resources available for future spending. The modified accrual based financial statements provide detailed information about the Library's current financial resources and demonstrate compliance with various state laws and shows the stewardship of the Library's annual property tax and other revenue.

The modified accrual-based statements are converted to full accrual accounting based statements by incorporating long-lived resources and long-term obligations into the reporting model. Full accrual statements focus on full costing of current services and on the total resource picture of the Library.

The Library as a Whole

The following table shows, in condensed format, the net position as of November 30, 2019 and 2018:

	GOVERNMENTAL ACTIVITIES	
	2019	2018
ASSETS		
Current and other assets	\$ 4,427,582	\$ 3,999,518
Capital assets, net	<u>12,075,288</u>	<u>12,525,765</u>
TOTAL ASSETS	<u>\$ 16,502,870</u>	<u>\$16,525,283</u>
LIABILITIES		
Other liabilities	\$ 117,952	\$ 83,247
Long-term liabilities	<u>225,925</u>	<u>1,470,649</u>
TOTAL LIABILITIES	<u>343,877</u>	<u>1,553,896</u>
NET POSITION		
Invested in capital assets	12,075,288	11,270,765
Restricted for debt service payments	-	1,048,986
Restricted for memorials	6,609	6,609
Restricted for endowment	31,048	31,300
Restricted for capital improvement	1,474,725	-
Unrestricted	<u>2,571,323</u>	<u>2,613,727</u>
TOTAL NET POSITION	<u>16,158,993</u>	<u>14,971,387</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 16,502,870</u>	<u>\$16,525,283</u>

Governmental Activities

The following table shows the changes in the net position during the years ended November 30, 2019 and 2018:

	GOVERNMENTAL ACTIVITIES	
	2019	2018
REVENUE		
Property taxes	\$ 5,305,980	\$ 4,366,997
Other	<u>461,414</u>	<u>482,440</u>
TOTAL REVENUE	<u>5,767,394</u>	<u>4,849,437</u>
EXPENSES		
Library Services	<u>4,579,788</u>	<u>4,483,413</u>
CHANGE IN NET POSITION	<u>\$ 1,187,606</u>	<u>\$ 366,024</u>

Government-wide Analysis

The full accrual statement of activities shows an increase in net position of \$1,187,606. The Library acquired \$409,053 in new capital assets while depreciation charges were \$859,530, and principal paid on long-term bonds was \$1,255,000. During fiscal year November 2018 the Library acquired \$408,276 in new capital assets while depreciation charges were \$850,198, and principal paid on long-term bonds was \$1,205,000.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, totals \$2,571,323. Unrestricted net position decreased during the year by \$42,404.

Major Fund Analysis

The general fund pays for all of the Library's services. The most significant costs are for personnel and related staffing expenses of \$2,622,107, which accounted for 66 percent of the total operating expenditures in the year ended November 30, 2019. Library acquisition cost for materials and programs was \$276,803, or seven percent of total operating expenditures. The remaining categories include: contractual services of \$196,173 (five percent), automation and capital outlay of \$255,221 (seven percent), and other, which includes supplies, tax rebates, and other expenditures, \$ 596,929 (15 percent). The general fund had a net increase in fund balance for the year of \$330,894. Actual operating tax revenue increased from 2018 to 2019 by \$96,414. State aid, interest revenue, and other income increased by \$22,177 from 2018 to 2019.

The debt service fund has a fund balance of \$(20,653) at November 30, 2019, which is a net decrease of \$1,069,639. After the final tax collection in June 2020, the fund balance will be transferred into the general fund as all the debt was paid off.

The capital projects fund has a fund balance of \$1,474,725 at November 30, 2019, which is a net increase of \$1,075,203. The large increase is attributed to the board setting money aside for the new Superior Township Library to be built.

Budgetary Highlights

The original budget was amended during the year as new information became available. Amendments to the original budget were not significant for the year ended November 30, 2019.

Actual variances from the final amended budgets were minimal. The largest budget variances were the "Administrative" and "Whittaker Road" departments, where the actual expenditures were less than the final amended budget.

Capital Asset and Debt Administration

Capital assets. For the year ended November 30, 2019, Ypsilanti District Library purchased materials at a cost of \$243,830 and other capital assets at a cost of \$165,223. The major capital asset purchase during the year consisted of building upgrades, updated computers, and a Windows update for the computers.

CAPITAL ASSETS (NET
OF DEPRECIATION)

	2019	2018
Land	\$ 1,003,899	\$ 1,003,899
Work in process		19,440
Land improvements	477,483	488,682
Buildings	9,609,137	10,010,245
Equipment and furniture	134,243	168,961
Vehicles	25,838	31,434
Computer and office equipment	207,602	199,219
Collections	<u>617,086</u>	<u>623,325</u>
 Total capital assets, net	 <u>\$ 12,075,288</u>	 <u>\$12,525,765</u>

Additional information related to capital assets can be found in Note 3 to the financial statements.

Long-term Debt. General obligation bonds consist of 2006 refunding bonds maturing in 2019.

	2019	2018
General obligation bonds	\$ -	\$ 1,255,000
Compensated absences	<u>225,925</u>	<u>211,466</u>
 Total long-term debt	 <u>\$ 225,925</u>	 <u>\$ 1,466,466</u>

Additional information related to long-term debt can be found in Note 4 to the financial statements.

Economic Factors and Next Year's Budget

In November of 2018 the voters of the Library's District voted for an increase in the general operating millage for the Library in the amount of .7 additional mills for the operating fund for the next 12 years. With the increase in the millage, it has allowed for the Library to set funds aside for construction of a new Superior Township Library to be paid for out of operating funds. To date approximately \$1.5 million has been committed for this project.

The Ypsilanti District Library's budget for the fiscal year ending November 30, 2020 projects a modest increase in tax revenues. The taxable value of local housing within the Library's district is predicted to slightly increase. There is also money budgeted for capital improvements as the Library hopes to break ground on the new Superior Township Library building.

Notable Progress

Fundraising

This year, the efforts of the Library's joint Friends/Board/Staff Fund Development Committee generated \$53,358 through the following fundraising activities:

- Gifts/Memorials: \$22,631
- Friends of the Library contributed: \$33,692
- Proceeds from the Library's Endowment Fund (part of the Ypsilanti Area Community Fund): \$6,771
- Grants and gifts from local organizations totaled: \$4,900

Key Performance Indicators (Based on 2019 Calendar year)

- Items in collection: 362,845
- Items borrowed: 659,350
- Program attendance: 43,588
- Reference questions answered: 117,342
- Percentage of population with library cards: 50.48%
- Library visitors: 391,784

Contacting the Library's Management

This financial information is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Library's finances and provide accountability for the resources entrusted to the trustees and the management of Ypsilanti District Library. If you have questions about this report, or need additional information, contact the Director, Lisa Hoenig, at (734) 879-1300.

YPSILANTI DISTRICT LIBRARY
Statement of Net Position
November 30, 2019

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,047,619
Investments	
Receivables (net of allowances)	
Taxes receivable	341,177
Prepaid items	7,738
Endowment held by Community Foundation	31,048
Nondepreciable capital assets	1,003,899
Depreciable capital assets, net	11,071,389
Total assets	16,502,870
 Liabilities	
Accounts payable	75,614
Accrued liabilities	42,338
Compensated absences:	
Due within one year	56,481
Due in more than one year:	169,444
Total liabilities	343,877
 Net Position	
Investment in capital assets	12,075,288
Restricted for:	
Memorials	6,609
Endowment:	31,048
Unrestricted	4,046,048
Total net position	\$ 16,158,993

YPSILANTI DISTRICT LIBRARY
Statement of Activities
Fiscal Year Ended November 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Expense and Changes in Net position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Library Services	<u>\$ 4,579,788</u>	<u>\$ 98,736</u>	<u>\$ 34,747</u>	\$ (4,446,305)
		General revenues:		
				5,305,980
				66,506
				111,395
				31,936
				<u>118,094</u>
		Total general revenues		<u>5,633,911</u>
		Change in net position		1,187,606
		Net position beginning of year		<u>14,971,387</u>
		Net position end of year		<u>\$ 16,158,993</u>

YPSILANTI DISTRICT LIBRARY

Balance Sheet
Governmental Funds
November 30, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total Governmental Funds</u>
Assets				
Cash	\$ 3,791,290	-	256,329	\$ 4,047,619
Taxes receivable	328,742	12,435	-	341,177
Due from other funds	27,988	-	1,225,416	1,253,404
Prepaid items	7,738	-	-	7,738
Endowment held by Community Foundation	31,048	-	-	31,048
Total assets	<u>\$ 4,186,806</u>	<u>\$ 12,435</u>	<u>\$ 1,481,745</u>	<u>\$ 5,680,986</u>
Liabilities				
Vouchers payable	\$ 68,594	\$ -	7,020	\$ 75,614
Accrued payroll	42,338	-	-	42,338
Due to other funds	1,225,416	27,988	-	1,253,404
Total liabilities	<u>1,336,348</u>	<u>27,988</u>	<u>7,020</u>	<u>1,371,356</u>
Deferred Inflows of Resources				
Unavailable revenue	<u>238,326</u>	<u>5,100</u>	<u>-</u>	<u>243,426</u>
Fund balances				
Nonspendable	7,738	-	-	7,738
Restricted				
Memorials	6,609	-	-	6,609
Endowment	31,048			31,048
Committed:				
Working capital	500,000	-	-	500,000
Improvements	352,434	-	1,474,725	1,827,159
Unassigned	1,714,303	(20,653)	-	1,693,650
Total fund balances	<u>2,612,132</u>	<u>(20,653)</u>	<u>1,474,725</u>	<u>4,066,204</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,186,806</u>	<u>\$ 12,435</u>	<u>\$ 1,481,745</u>	<u>\$ 5,680,986</u>

YPSILANTI DISTRICT LIBRARY
Reconciliation of Governmental Fund Balances Sheet
to the Statement of Net Position
November 30, 2019

Total governmental fund balances	\$ 4,066,204
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	12,075,288
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.	243,426
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	<u>(225,925)</u>
Total governmental activities net position	<u>\$ 16,158,993</u>

YPSILANTI DISTRICT LIBRARY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Fiscal Year Ended November 30, 2019

	General	Debt Service	Capital Project	Total Governmental Funds
Revenues				
Property taxes	5,047,060	202,019	-	\$ 5,249,079
Intergovernmental				
Penal fines	111,395	-	-	111,395
State aid	66,506	-	-	66,506
Charges for services				
Fines and other	98,736	-	-	98,736
Grants	34,747	-	-	34,747
Donations and contributions	79,486	-	-	79,486
Friends of the library gifts	33,962	-	-	33,962
Interest income	31,077	393	466	31,936
Other	4,646	-	-	4,646
Total revenues	5,507,615	202,412	466	5,710,493
Expenditures				
Current:				
Administrative	2,046,192	318	75,263	2,121,773
Michigan Avenue	570,104	-	-	570,104
Bookmobile	83,090	-	-	83,090
Superior Township	158,283	-	-	158,283
Whittaker Road	1,123,929	-	-	1,123,929
Grants	13,128	-	-	13,128
Expenditures from donation revenues	31,995	-	-	31,995
Debt service:				
Principal	-	1,255,000	-	1,255,000
Interest	-	16,733	-	16,733
Total expenditures	4,026,721	1,272,051	75,263	5,374,035
Excess (deficiency) of revenues over (under) expenditures	1,480,894	(1,069,639)	(74,797)	336,458
Other Financing Sources (Uses)				
Transfers in	-	-	1,150,000	1,150,000
Transfers out	(1,150,000)	-	-	(1,150,000)
Total other financing sources (uses)	(1,150,000)	-	1,150,000	-
Net change in fund balances	330,894	(1,069,639)	1,075,203	336,458
Fund balance, beginning of year	2,281,238	1,048,986	399,522	3,729,746
Fund balance, end of year	\$ 2,612,132	\$ (20,653)	\$ 1,474,725	\$ 4,066,204

See accompanying notes to the basic financial statements.

YPSILANTI DISTRICT LIBRARY

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Fiscal Year Ended November 30, 2019

Net change in fund balances - total governmental funds \$ 336,458

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Capital asset additions	409,053	
Depreciation expense	<u>(859,530)</u>	(450,477)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Compensated absences	(14,459)	
Interest on long-term debt	<u>4,183</u>	(10,276)

Revenues in the statement of activities that do not provide current financial resources are reported are not recorded until collected or collectible within 60 days of year end. 56,901

Repayment of bonds payable is reported as an expenditure in the governmental funds, but the repayment reduce the long-term liabilities in the statement of net position. 1,255,000

Change in net position of governmental activities \$ 1,187,606

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Ypsilanti District Library (the "Library") began operations as a district library in May 1983 when it began receiving tax revenue from Ypsilanti Township and the City of Ypsilanti. During 2019, the Library filed for and received 501(c)3 status from the Internal Revenue Service.

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 includes significant operational or financial relationships with the Library.

The financial statements of the Ypsilanti District Library have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

A. Reporting Entity

All funds and account groups under direct control of the Library are included in this report. These funds and account groups are those which meet the criteria established by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and *Statement on Michigan Governmental Accounting and Auditing No.5*.

The criteria established by GASB for determining which of the Library's various organizations and activities are to be included in the reporting Library's financial statements include oversight responsibility, scope of public service, and special financial relationships. On this basis, the financial statements of the Library do not include any component units.

B. 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 for the Library as a whole. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for services. The Library had no business-type activities during the year ended 2019.

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

C. Measurement Focus, Basis of Accounting, and Financial Statements

The Library-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are reported when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to fund liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All revenue items are considered to be measurable and available only when cash is received by the Library.

The Ypsilanti District Library reports the following major governmental funds:

- The General Fund is the Library's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.
- The Debt Service Fund is used to account for the annual payment of principal, interest, and expenses in connection with certain long-term debt.
- The Capital Projects Fund is used to account for capital expenditures made by the Library.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Budgets

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year-end.

The general fund is under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted and as amended by the Library Board. The budget for the general fund is adopted on a total basis for revenue and a departmental basis for expenditures; expenditures at this level in excess of budgeted amounts are a violation of Michigan law.

E. Cash and Cash Equivalents

For purposes of the statements of cash flows, consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the government-wide financial statements. Capital assets are defined by the Ypsilanti District Library, as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of two years.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available.

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

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in the government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on the government-wide and proprietary statement of net position. The straight-line depreciation method is applied over the estimated useful life of fixed assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

ASSET CLASS	YEARS
Land	n/a
Building and improvements	20-40
Furniture and fixtures	10-20
Vehicles	7
Computer and Office Equipment	3-5
Collection	5

H. Compensated Absences

Compensated absences represent the estimated liability to be paid to employees under the Library's compensated absences policy. It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide financial statements.

I. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

J. Fund Equity

Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statements of net position. Where applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arise under a modified accrual basis of accounting, from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Equity

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Library Board. A formal resolution of the Library Board is required to establish, modify or rescind a fund balance commitment. The Library reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Executive Director has the authority to *assign fund balance*. *Unassigned fund balance* is the residual classification for the general fund.

When the Library incurs expenditures for purposes for which various fund balance classification can be used, it is the Library's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Property Taxes

The Library district's borders encompass the City of Ypsilanti, Ypsilanti Township, and Superior Township, and property taxes are assessed as of December 31. The Library's operating and debt taxes are billed to the City of Ypsilanti taxpayers on July 1 and December 1. The Library's operating taxes only are billed to Superior Township on July 1 and December 1. The Library's operating taxes and debt taxes are billed to Ypsilanti Township taxpayers on July 1 and December 1 of the following fiscal year. The Delinquent Tax Revolving Fund of Washtenaw County advances delinquent real taxes to the Library on an annual basis.

2. CASH AND CASH EQUIVALENTS:

Deposits

As of November 30, 2019, the carrying amounts and bank balances for each type of bank account are as follows:

Account Type	Carrying Amount	Bank Balance
Cash	\$ 981,172	\$ 991,765
ICS Money Market	3,062,816	3,062,816
Petty Cash	<u>3,631</u>	<u>-</u>
Total Primary Government	<u>\$ 4,047,619</u>	<u>\$ 4,054,581</u>

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations and to invest in obligations of the United States, certain commercial paper, repurchase agreements, banker acceptances, and mutual funds composed of otherwise legal investments.

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The Library's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturity dates of investments are not applicable.

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 not applicable for investments held at year-end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. State law does not require and the Library does not have a policy for deposit custodial credit risk. As of year-end, \$14,411 of the Library's bank balance of \$4,054,581 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of deposits and the limits of FDIC insurance, the Library believes it is impractical to insure all bank deposits. As a result, the Library evaluates each financial institution and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Library does not have a policy for investment custodial credit risk. Although uninsured and unregistered, the Library's investments at November 30, 2019 are not subject to custodial risk.

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.

3. CAPITAL ASSETS:

A summary of changes in governmental capital assets including internal service fund assets are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities				
Capital Assets Not Being Depreciated				
Land	\$ <u>1,003,899</u>	\$ _____	\$ _____	\$ <u>1,003,899</u>
Capital Assets Being Depreciated				
Land improvements	1,106,072	27,296		1,133,368
Buildings	17,189,942	40,192		17,230,134
Equipment and furniture	1,918,348	8,777		1,927,125
Vehicles	310,886			310,886
Computer and Office equipment	1,314,119	88,958		1,403,077
Collections	<u>2,322,638</u>	<u>243,830</u>	(<u>307,482</u>)	<u>2,258,986</u>
Total Capital Assets Being Depreciated	<u>24,149,542</u>	<u>409,053</u>	(<u>307,482</u>)	<u>24,263,576</u>
Less: Accumulated Depreciation for:				
Land improvements	600,240	55,645		655,885
Buildings	7,196,847	424,150		7,620,997
Equipment and furniture	1,749,387	43,495		1,792,882
Vehicles	279,452	5,596		285,048
Computer and Office equipment	1,114,900	80,575		1,195,475
Collections	<u>1,699,313</u>	<u>250,069</u>	<u>307,482</u>	<u>1,641,900</u>
Total accumulated depreciation	<u>12,640,139</u>	<u>859,530</u>	<u>307,482</u>	<u>13,192,187</u>
Total Capital assets Being Depreciated, net	<u>11,521,866</u>	(<u>450,477</u>)	_____	<u>11,071,389</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$12,525,765</u>	\$(<u>450,477</u>)	\$ _____	<u>\$12,075,288</u>

4. LONG-TERM DEBT:

The following is a summary of long-term debt outstanding for the Library for the year ended November 30, 2019:

	BEGINNING BALANCE	ADDITIONS	DELETIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
General obligation bonds	\$ 1,255,000	\$	\$ 1,255,000	\$ -	\$ -
Compensated absences	<u>211,466</u>	<u>14,459</u>	<u> </u>	<u>225,925</u>	<u>56,481</u>
	<u>\$ 1,466,466</u>	<u>\$ 14,459</u>	<u>\$ 1,255,000</u>	<u>\$ 225,925</u>	<u>\$ 56,481</u>

Bonds payable were paid off during the year.

Compensated absences represent the estimated liability to be paid to employees under the Library’s vacation policy. Under this policy, employees earn vacation time based on time of service with the Library. Compensated absences are generally liquidated by the general fund.

5. EMPLOYEES’ RETIREMENT SYSTEM – DEFINED CONTRIBUTION:

The Library provides a retirement plan to all of its employees who work more than 1,040 hours per year or more through a defined contribution plan administered by MERS. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after one year of employment. As established by the Board, the Library contributes 5 percent of employees’ gross earnings and employees may contribute an additional amount of their earnings up to the maximum allowed under Internal Revenue Service regulations. The Library’s contributions for each employee (plus interest allocated to the employee’s account) are fully vested after the first deposit. In accordance with these requirements, the Library contributed \$91,373 during the year, and employees contributed \$130,279. At November 30, 2019, there were 47 employees participating in the plan.

6. RISK MANAGEMENT:

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

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

7. EXCESS OF EXPENDITURES OVER BUDGET:

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. For the year ended November 30, 2019, the government did incur excess of expenditures over appropriations.

8. RECEIVABLES, PAYABLES AND INTERFUND TRANSFERS:

The Library often has interfund balances between its funds. These interfund balances result primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. At November 30, 2019, there were receivables of \$27,988 and \$1,225,416, respectively, in the general fund and capital projects fund due from the debt service fund and the general fund, respectively.

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. During the year ended November 30, 2019, \$1,150,000 was transferred from the general fund into the capital improvement fund to commit the money for the Superior Township building project.

9. LEASE COMMITMENTS:

The Library entered into a four year operating lease for twelve copier/printer/scanners. The Library incurred total rent expense of \$18,361 for the year ended November 30, 2019. Monthly payments are \$1,732. Future minimum lease payments under this agreement at year-end are summarized as follows:

YEAR ENDED NOVEMBER 30,	AMOUNT
2020	\$ 20,784
2021	20,784
2022	<u>19,052</u>
	<u>\$ 60,620</u>

10. UPCOMING ACCOUNTING PRONOUNCEMENTS:

GASB Statement No. 84, Fiduciary Activities, was issued which will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. We will continue to assess the degree to which this standard impact the Library.

GASB Statement No. 87, Leases, was issued which will establish a single model for reporting all leases (including those previously classified as operating and capital). Lessees will now report offsetting intangible lease assets and lease liabilities equal to the present value of future lease payments. Lessors will report offsetting lease receivables and deferred inflows of resources. We do not expect this standard to have any significant effect on the Library.

11. FAIR VALUE MEASUREMENTS:

Fair Value Measurements in accordance with GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Library has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value at November 30, 2019.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Library are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Library are deemed to be actively traded.

The Ypsilanti Community Foundation (YCF) acts under an arrangement as a depository for gifts, conveyances, and other transfers intended to assist the Library in achieving its goals and purposes. The Library's beneficial interest in amounts held by the YCF at November 30, 2019 have been recorded at fair value and amounted to \$31,048.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Library believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables present by level, within the fair value hierarchy, the Library investment assets at fair value, as of November 30, 2019. As required by GAAP, investment assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

FAIR VALUE OF MEASUREMENTS AT REPORTING DATE USING				
	(LEVEL 1)	(LEVEL 2)	(LEVEL 3)	TOTAL
NOVEMBER 30, 2019				
Beneficial interest in assets held at Ypsilanti Community Foundation				
	\$ _____	\$ <u>31,048</u>	\$ _____	\$ <u>31,048</u>

The following schedule summarizes investment income as presented in the statements of revenues, expenditures and changes in fund balance-governmental funds and statement of activities for the year ending November 30, 2019.

Interest, dividend, and capital gain distributions, net of expenses	\$ 34,704
Beneficial interest in assets held at Ypsilanti Community Foundation	(<u>2,768</u>)
	<u>\$ 31,936</u>

12. ENDOWMENT FUNDS:

The Library’s endowment includes donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Library has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Library classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Library in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Library considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Library, and (7) the Library’s investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Library has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the distributions with acceptable levels of risk. Actual returns in any given year may vary from this amount. Endowment assets are maintained with the Ypsilanti Community Foundation and are invested in a well-diversified asset mix, which includes mutual funds, stocks and bonds that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make distributions, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. The Library has a policy of appropriating for distributions in support of general operating costs and programming of Ypsilanti District Library while growing the funds if possible. In establishing this policy, the Library considered the long-term expected return on its investment assets, the nature and duration of the endowment fund which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Library expects the current spending policy to allow its endowment funds to grow at a rate which will enable these distributions. This is consistent with the Library's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets as of November 30, 2019 are as follows:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL NET ENDOWMENT ASSETS
Endowment net assets, beginning of year	\$	\$ 31,300	\$	\$ 31,300
Investment income		(1,258)		(1,258)
Appropriated for expenditure		(1,238)		(1,238)
Administrative fees	_____	(<u>272</u>)	_____	(<u>272</u>)
 Endowment net assets, end of year	 \$ _____	 \$ <u>31,048</u>	 \$ _____	 \$ <u>31,048</u>

13. ASSETS HELD BY COMMUNITY FOUNDATION:

The Library has certain funds that are held and managed by the Ann Arbor Area Community Foundation (the "Foundation") that are irrevocably invested. The principal balance of these endowment funds was \$165,408 at November 30, 2019. Earnings are available for distribution to the Library for its operations at the discretion of the Foundation. The Foundation maintains unilateral variance power and legal ownership of the endowment funds; therefore, these funds are not reported in the accompanying balance sheet or statement of net position.

REQUIRED SUPPLEMENTARY INFORMATION

YPSILANTI DISTRICT LIBRARY
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
Fiscal Year Ended November 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		From Final Budget
Revenues				
Property taxes	\$ 3,629,096	\$ 5,031,500	\$ 5,047,060	\$ 15,560
Intergovernmental				
Penal fines	116,000	111,394	111,395	1
State aid	65,864	66,506	66,506	-
Charges for services				
Fines and other	111,120	99,250	98,736	(514)
Grants	45,000	39,480	34,747	(4,733)
Donations and contributions	3,100	106,282	79,486	(26,796)
Friends of the library gifts	-	-	33,962	33,962
Interest income	22,052	31,913	31,077	(836)
Other	5,700	2,750	4,646	1,896
Total revenues	<u>3,997,932</u>	<u>5,489,075</u>	<u>5,507,615</u>	<u>18,540</u>
Expenditures				
Current:				
Administrative	\$2,074,121	\$2,059,904	2,046,192	13,712
Michigan Avenue	567,512	575,891	570,104	5,787
Bookmobile	87,152	84,534	83,090	1,444
Superior Township	153,941	158,998	158,283	715
Whittaker Road	1,113,538	1,138,255	1,123,929	14,326
Grants	-	13,198	13,128	70
Expenditures from donation revenues	-	33,733	31,995	1,738
Total expenditures	<u>3,996,264</u>	<u>4,064,513</u>	<u>4,026,721</u>	<u>37,792</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,668</u>	<u>1,424,562</u>	<u>1,480,894</u>	<u>56,332</u>
Other Financing Sources (Uses)				
Transfers out	-	-	(1,150,000)	(1,150,000)
Net change in fund balances	1,668	1,424,562	330,894	<u>\$ (1,093,668)</u>
Fund balance, beginning of year	<u>2,281,238</u>	<u>2,281,238</u>	<u>2,281,238</u>	
Fund balance, end of year	<u>\$ 2,282,906</u>	<u>\$ 3,705,800</u>	<u>\$ 2,612,132</u>	

SUPPLEMENTARY INFORMATION

YPSILANTI DISTRICT LIBRARY
Schedule of Operating Expenditures - General Fund
Fiscal Year Ended November 30, 2019

	Salary and Benefits	Library Materials	Contractual	Automation and Capital Outlay	Other Designated Expenses	Total	Final Budget	Over (Under) Budget	Percent of Total
Administrative	\$ 1,321,966	\$ -	\$ 118,753	\$ 391,085	\$ 214,388	\$ 2,046,192	\$ 2,059,904	\$ 13,712	51%
Michigan Avenue	411,950	72,471	22,718	-	62,965	570,104	575,891	5,787	14%
Bookmobile	68,078	4,478	-	-	10,534	83,090	84,534	1,444	2%
Superior Township	144,398	7,609	898	-	5,378	158,283	158,998	715	4%
Whittaker Road	730,892	148,812	59,463	-	184,762	1,123,929	1,138,255	14,326	28%
Grants	-	13,128	-	-	-	13,128	13,198	70	0%
Expenditure from donations	-	31,995	-	-	-	31,995	33,733	1,738	1%
Total	\$ 2,677,284	\$ 278,493	\$ 201,832	\$ 391,085	\$ 478,027	\$ 4,026,721	\$ 4,064,513	\$ 37,792	100%