Willard Public Library

Financial Report
with Supplemental Information
June 30, 2019

Contents

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Independent Auditor's Report

To the Board of Trustees
Willard Public Library

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Willard Public Library (the "Library") as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise Willard 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, each major fund, and the aggregate remaining fund information of Willard Public Library as of June 30, 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
Willard 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, budgetary comparison schedule, and pension system and OPEB schedules, as disclosed 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

September 20, 2019

Using This Annual Report

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplemental information. The basic financial statements include information that presents three different views of Willard Public Library (the "Library"):

- The first series of columns of the financial statements includes information on the Library's various funds under the modified accrual method. These fund financial statements focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustments column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method.
- The Library as a whole financial statement column provides both long-term and short-term information about the Library's overall financial status. 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. These statements tell how these services were financed in the short term, as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements.

Financial Highlights

As discussed in further detail in the discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2019:

- The Library was able to capture financial savings in health insurance expenditures by joining a consortium, which resulted in a savings for both employer and employees.
- The Library received a grant through the W.K. Kellogg Foundation to help facilitate the transition of the Imagination Library program to the CISD.
- The Library saw a 67 percent reduction in personal property tax funding, which negatively impacted the progression of some interior renovations.
- The Library was able to reduce expenditures from the prior fiscal years through several cost-saving measures.

Condensed Financial Information

The table below compares key financial information in a condensed format with comparison to the prior year:

	2019	2018
Assets		
Current assets	$ 4,774,017	$ 5,057,431
Capital assets	5,352,033	5,251,039
Total assets	10,126,050	10,308,470
Deferred Outflows of Resources	921,343	463,603
Liabilities		
Other liabilities	167,511	140,432
Long-term debt	2,404,304	1,913,191
Total liabilities	2,571,815	2,053,623
Deferred Inflows of Resources	738,944	858,398
Net Position		
Net investment in capital assets	5,352,033	5,251,039
Restricted	999,157	985,029
Unrestricted	1,385,444	1,623,984
Total net position	**$ 7,736,634**	**$ 7,860,052**
Revenue		
Property taxes	$ 4,375,768	$ 4,309,632
Other	1,451,485	2,212,738
Total revenue	5,827,253	6,522,370
Expenditures - Library services	5,950,671	5,825,470
Change in Net Position	(123,418)	696,900
Net Position - Beginning of year	7,860,052	7,163,152
Net Position - End of year	**$ 7,736,634**	**$ 7,860,052**

Change in Net Position

The $1.4 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net assets balance enables the Library to meet working capital and cash flow requirements, as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

As reported in the statement of activities, the cost of all library activities this year was approximately $6.0 million. The majority of the expenses was funded through property tax revenue ($4.4 million) and other revenue ($1.4 million) composed of the Casino PILT disbursement, fees and book fines, penal fines, contributions, and state sources.

As discussed above, the net cost shows the financial burden that was placed on the Library's taxpayers by each of these functions. Since property taxes for operations constitute the vast majority of library operating revenue sources, the board of trustees and administration must annually evaluate the needs of the Library and balance those needs with the available resources.

As required by the Governmental Accounting Standards Board (GASB), the Library adopted Statement No. 75. This standard required the inclusion of the Library's proportionate share of the Michigan Public School Employees' Retiree Health Care Plan within the Library's financial statements, effective July 1, 2017. The effect of the adoption was to decrease July 1, 2017 beginning net position by $307,295 and to include the net OPEB obligation and related deferred inflows and outflows of resources in the June 30, 2018 financial statements. All governments participating in the plan were required to adopt this new standard.

The Library's Funds

As we noted earlier, the Library uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader to consider whether the Library is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Library's overall financial health.

As the Library completed this year, the governmental funds reported a combined fund balance of approximately $4.6 million, which is a decrease of approximately $285,000 from last year's fund balance.

The General Fund, the Library's principal operating fund, decreased approximately $116,000 during the 2018-2019 year.

The Owen Endowment Fund is a permanent fund, which had a fund balance that slightly decreased. This fund is used to account for revenue received from a donor to fund special projects and library improvements.

The Capital Improvement Fund, which is used to account for revenue received for and expenses related to capital projects, had an decrease in the fund balance due to a decrease in capital outlay funding that occurred during the 2018-2019 year as compared to the 2017-2018 year.

The Special Revenue Fund - Kellogg Company, which is used to account for the restricted revenue received from the Kellogg Company for the purpose of supplying a librarian to the Kellogg Company's Library, had a slight increase in the fund balance. This fund continues to be self-supporting; revenue exceeds expenditures.

Library Budgetary Highlights

The Library's administration continues to monitor property values, as well as proposed legislation that would affect library funding at both the local and state level. Areas of potential financial concern include local tax-capture agreements and the elimination of the Personal Property Tax, with the Library experiencing a decrease of approximately $800,000 from last fiscal year. Property values increased slightly. Library expenditures are regularly reviewed for potential cost-saving measures.

Willard Public Library and the Helen Warner Branch continue to be popular destinations while operating at the same rate of 2.0 mills, which was adopted 20 years ago. With careful resource management, the Library's administration anticipates success at this funding level for many years to come.

General Fund Budgetary Highlights

The General Fund's actual revenue was $5.68 million. That amount is below the original budget estimate of $5.76 million and in line with the final amended budget of $5.63 million. The actual expenditures and other financing uses of the General Fund were $6.02 million, which was below the original budget estimate of $6.42 million and below the final amended budget of $6.27 million. The approximate $304,000 variance between the final amended budget and the 2019 actual results was primarily due to the carryover in the amounts budgeted for materials, purchased services, and utilities.

The General Fund had total revenue of $5.68 million and total expenditures of $6.02 million, with an ending fund balance of $2.79 million.

Current Year Highlights

Willard Public Library continues to be a popular resource for books, movies, and digital downloads, as well as a frequent destination for computer users. The Library circulated over one million items this year, including over a quarter of a million downloads. Additionally, the Library's Chronicling Battle Creek suite of digitized local publications had over 210,500 page views. The Library increased its digital collection of ebooks and downloadable audiobooks and continues to offer downloadable music, video, and magazines in digital format. One-on-one technology assistance and legal self-help services continue to grow in popularity with library guests.

The Library maintained its traditional reading programs, with over 1,900 children and teens participating. Over 13,400 books were mailed to homebound readers, and over 1,100 patron requests were fulfilled. Willard Public Library's public computer users logged over 72,000 sessions on schoolwork, job applications, financial services, entertainment, and staying in touch with friends and family. Additionally, the Library provided over 151,000 wireless sessions.

The Library continues to make progress toward the strategic plan goals. This year the Willard Library app was launched and used on over 800 devices. The Library participated in Juneteenth, Hispanic Heritage Month, and the Pride Festival as part of our commitment to community engagement. Additionally, staff participated in the linear park cleanup and ramp build community events as a part of the *Love Where You Live* series.

Adult author events included Battle Creek Reads featuring *The Long Haul* by Finn Murphy and *This is Where You Belong* by Melanie Warnick. Other author visits included Richard Rothstein, *The Color of Law*; Clarence Sheppard, *Using Photography to Tell the Story of Your Community*; Alan Naldrett, *Michigan's C. Harold Wills: The Genius Behind the Model T and the Wills Sainte Claire Automobile*; Lisa DeChano-Cook and Marty Brooks, *Kalamazoo River*; and Beverly Lewis, *The First Love*.

Additional programming included the *Finding Your Roots* genealogy series, *Third Age* series for seniors, forest therapy sessions, lunch and learn with Holocaust survivor Irene Butler, a concert by the Red Sea Pedestrians, and a newly formed Willard Library Book Club. The Library launched a vinyl lab and developed maker kits available for checkout.

Total youth and school program attendance was over 22,000. Children's author and illustrator couple, Lesa Cline-Ransome and James Ransome visited and shared their book, *My Name is Truth*. Families enjoyed performances and activities by Laura Doherty, Taiko Japanese Drummers, Companeros de Famenco, Bichini Bia Congo, Kevin Kammeraad, Randy Kaplan, and storytimes in both English and Spanish. Teen programs included a Poetry Slam, Fandom Lock-In, and Creek Con.

Capital Assets and Debt Administration

This year, the downtown library location replaced wall laminate and carpeting on the main floor, began renovating the lower level, and opened a creative services lab. The Library continues to maintain a quality collection of in-demand materials.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, and customers with a general overview of the Library's finances 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 director's office.

Governmental Funds
Statement of Net Position/Governmental Fund Balance Sheet

June 30, 2019

		Permanent Fund		Nonmajor Special Revenue Fund			
	General Fund	Owen Endowment Fund	Capital Improvement Fund	SRF - Kellogg Company	Balance Sheet - Modified Accrual	Adjustments (Note 2)	Statement of Net Position - Full Accrual Basis
Assets							
Cash and cash equivalents (Note 3)	$ 2,754,224	$ 1,017,638	$ 731,833	$ 31,445	$ 4,535,140	$ -	$ 4,535,140
Receivables	125,062	5,992	-	26,279	157,333	-	157,333
Due from other funds (Note 6)	246	-	-	-	246	(246)	-
Prepaid assets	81,544	-	-	-	81,544	-	81,544
Capital assets: (Note 4)							
Nondepreciable assets	-	-	-	-	-	980,185	980,185
Depreciable assets - Net of accumulated depreciation	-	-	-	-	-	4,371,848	4,371,848
Total assets	2,961,076	1,023,630	731,833	57,724	4,774,263	5,351,787	10,126,050
Deferred Outflows of Resources							
Deferred MPSERS pension costs (Note 9)	-	-	-	-	-	294,481	294,481
Deferred MPSERS OPEB costs (Note 9)	-	-	-	-	-	33,681	33,681
Deferred MERS pension costs (Note 8)	-	-	-	-	-	593,181	593,181
Total deferred outflows of resources	-	-	-	-	-	921,343	921,343
Total assets and deferred outflows of resources	**$ 2,961,076**	**$ 1,023,630**	**$ 731,833**	**$ 57,724**	**$ 4,774,263**	6,273,130	11,047,393
Liabilities							
Accounts payable	$ 123,031	$ -	$ -	$ -	$ 123,031	-	123,031
Due to other funds (Note 6)	-	-	-	246	246	(246)	-
Accrued liabilities	6,146	-	-	-	6,146	-	6,146
Unearned revenue	38,334	-	-	-	38,334	-	38,334
Noncurrent liabilities:							
Due within one year - Compensated absences (Note 5)	-	-	-	-	-	194,000	194,000
Due in more than one year:							
Compensated absences (Note 5)	-	-	-	-	-	208,000	208,000
Net pension liability - MPSERS (Note 9)	-	-	-	-	-	963,460	963,460
Net pension liability - MPSERS OPEB (Note 9)	-	-	-	-	-	209,511	209,511
Net pension liability - MERS (Note 8)	-	-	-	-	-	829,333	829,333
Total liabilities	167,511	-	-	246	167,757	2,404,058	2,571,815

See notes to financial statements.

Governmental Funds
Statement of Net Position/Governmental Fund Balance Sheet (Continued)

June 30, 2019

		Permanent Fund		Nonmajor Special Revenue Fund			
	General Fund	Owen Endowment Fund	Capital Improvement Fund	SRF - Kellogg Company	Balance Sheet - Modified Accrual	Adjustments (Note 2)	Statement of Net Position - Full Accrual Basis
Deferred Inflows of Resources							
Revenue in support of pension contributions made subsequent to the report date (Note 9)	$ -	$ -	$ -	$ -	$ -	40,623	40,623
Deferred MPSERS pension costs (Notes 1 and 9)	-	-	-	-	-	334,918	334,918
Deferred MPSERS OPEB costs (Notes 1 and 9)	-	-	-	-	-	106,016	106,016
Deferred MERS pension costs (Notes 1 and 8)	-	-	-	-	-	257,387	257,387
Total deferred inflows of resources	-	-	-	-	-	738,944	738,944
Total liabilities and deferred inflows of resources	167,511	-	-	246	167,757	3,143,002	3,310,759
Fund Balances							
Nonspendable:							
Prepaid assets	81,544	-	-	-	81,544	(81,544)	-
Endowment Fund	-	941,679	-	-	941,679	(941,679)	-
Restricted - Kellogg Company	-	-	-	57,478	57,478	(57,478)	-
Committed - 60-day reserve fund	884,141	-	-	-	884,141	(884,141)	-
Assigned:							
Endowment Fund - Interest	-	81,951	-	-	81,951	(81,951)	-
Capital improvements - Future projects	-	-	731,833	-	731,833	(731,833)	-
Sick payable	208,000	-	-	-	208,000	(208,000)	-
Unassigned	1,619,880	-	-	-	1,619,880	(1,619,880)	-
Total fund balances	2,793,565	1,023,630	731,833	57,478	4,606,506	(4,606,506)	-
Total liabilities, deferred inflows of resources, and fund balances	**$ 2,961,076**	**$ 1,023,630**	**$ 731,833**	**$ 57,724**	**$ 4,774,263**		
Net Position							
Net investment in capital assets						5,352,033	5,352,033
Restricted:							
Contributor restricted						57,478	57,478
Nonexpendable endowment						941,679	941,679
Unrestricted						1,385,444	1,385,444
Total net position						**$ 7,736,634**	**$ 7,736,634**

See notes to financial statements.

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

Year Ended June 30, 2019

		Permanent Fund		Nonmajor Special Revenue Fund			
	General Fund	Owen Endowment Fund	Capital Improvement Fund	SRF - Kellogg Company	Statement of Revenue, Expenditures, and Changes in Fund Balances - Modified Accrual	Adjustments (Note 2)	Statement of Activities - Full Accrual
Revenue							
Property taxes	$ 4,400,818	$ -	$ -	$ -	$ 4,400,818	$ (25,050)	$ 4,375,768
State sources - Unrestricted	507,620	-	-	-	507,620	(1,029)	506,591
Fees and book fines	131,975	-	-	-	131,975	-	131,975
Penal fines	189,062	-	-	-	189,062	-	189,062
Casino PILT disbursement	178,681	-	-	-	178,681	-	178,681
Interest	-	12,985	3,454	445	16,884	-	16,884
Other revenue:							
Local contributions, contracts, and other	103,799	4,268	-	154,269	262,336	-	262,336
Grant funding	165,956	-	-	-	165,956	-	165,956
Total revenue	5,677,911	17,253	3,454	154,714	5,853,332	(26,079)	5,827,253
Expenditures							
Program services:							
Audiovisual, books, and periodicals	983,061	-	-	-	983,061	(676,804)	306,257
Grant expenditures	165,320	-	-	-	165,320	-	165,320
Support services - General administration:							
Personnel	3,419,114	-	-	119,854	3,538,968	(87,110)	3,451,858
Communications	122,174	-	-	-	122,174	-	122,174
Office supplies	66,305	-	-	-	66,305	-	66,305
Public utilities	160,731	-	-	-	160,731	-	160,731
Depreciation	-	-	-	-	-	737,821	737,821
Purchased services	592,274	-	-	-	592,274	-	592,274
Insurance	21,416	-	-	-	21,416	-	21,416
Repairs and maintenance	337,829	-	-	-	337,829	(153,941)	183,888
Repairs and maintenance supplies	24,953	-	-	-	24,953	-	24,953
Capital expenditures	125,744	-	-	-	125,744	(8,070)	117,674
Total expenditures	6,018,921	-	-	119,854	6,138,775	(188,104)	5,950,671
Excess of Revenue (Under) Over Expenditures	(341,010)	17,253	3,454	34,860	(285,443)	162,025	(123,418)
Other Financing Sources (Uses) - Transfers (Note 6)	225,000	(50,000)	(150,000)	(25,000)	-	-	-
Net Change in Fund Balances/Net Position	(116,010)	(32,747)	(146,546)	9,860	(285,443)	162,025	(123,418)
Fund Balances/Net Position - Beginning of year	2,909,575	1,056,377	878,379	47,618	4,891,949	2,968,103	7,860,052
Fund Balances/Net Position - End of year	**$ 2,793,565**	**$ 1,023,630**	**$ 731,833**	**$ 57,478**	**$ 4,606,506**	**$ 3,130,128**	**$ 7,736,634**

See notes to financial statements.

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

Willard Public Library (the "Library") 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 Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the Library:

Reporting Entity

The Library is located in the city of Battle Creek, Michigan and is governed by an appointed five-member board. The Library is primarily funded through a tax levy, fines, fees, and charitable donations. Revenue is used to operate and staff the Library. The accompanying basic 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. These criteria include oversight responsibility, scope of public service, and special financing relationships. The Library is a district library formed pursuant to the District Library Establishment Act (1989 Public Act 24) by agreement between the school districts of Battle Creek, Harper Creek, Lakeview, and Pennfield. 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.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The individual fund columns present their activities on the modified accrual basis of accounting, as discussed above, which demonstrates accountability for how the current resources have been spent. The government-wide columns are presented on the economic resources measurement focus and the full accrual basis of accounting in order to measure the cost of providing government services and the extent to which constituents have paid the full cost of government services.

On the full accrual basis of accounting, revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the Library has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Library considers amounts collected within 60 days of year end to be available for recognition.

Note 1 - Significant Accounting Policies (Continued)

Fund Accounting

The Library accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the Library to show the particular expenditures for which specific revenue is used. The Library reports the following major governmental funds:

General Fund

The General Fund is the Library's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Owen Endowment Fund (Permanent Fund)

The Owen Endowment Fund is used to account for revenue received from a donor to fund special projects and library improvements held in the endowment account.

Capital Improvement Fund

The Capital Improvement Fund is used to account for revenue received for and expenses related to capital projects.

The Library reports the following nonmajor governmental fund:

Special Revenue Fund

The Special Revenue Fund - Kellogg Company is used to account for the restricted revenue received from the Kellogg Company for the direct purpose of supplying a librarian to the Kellogg Company's library.

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

When an expense is incurred for a purpose for which both restricted and unrestricted net position or fund balance are available, the Library's policy is to first apply restricted resources. When an expense is incurred for a purpose 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.

Specific Balances and Transactions

Cash and Cash Equivalents

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

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

Property tax receivables are shown as net of an allowance for uncollectable amounts.

Other Assets

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

Note 1 - Significant Accounting Policies (Continued)

Capital Assets

Capital assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Library as assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Buildings	20-50
Building improvements	10-20
Furniture and fixtures	5-10
Library books, periodicals, etc.	3-5
Land improvements	10-30
Equipment	5-10

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The Library reports deferred outflows related to deferred charges on deferred pension and OPEB costs.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Library has two types of items. The first item arises only under the modified accrual basis of accounting and is, therefore, only reported in the governmental funds balance sheet. The governmental funds report unavailable property taxes that are not collected during the period of availability. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item arises under the full accrual basis of accounting and is, therefore, only reported in the government-wide statement of net position. This deferred inflow relates to revenue in support of pension contributions made subsequent to the measurement date and deferred pension and OPEB costs.

Net Position

Net position of the Library is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted net position is further classified as expendable and nonexpendable. Expendable restricted net position has been limited for use by donors and as held in trust for debt service and self-insured professional liability. Nonexpendable restricted net position has been restricted by donors to be maintained in perpetuity. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

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

Note 1 - Significant Accounting Policies (Continued)

Fund Balance

The Library will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The Library itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

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

Property Tax Revenue

Properties are assessed as of December 31. The related property taxes are billed and become a lien on December 1 of the following year.

Property taxes are levied on each July 1 and December 1 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. Taxes are due on February 15 with the final collection date of February 28 before they are added to the county tax rolls. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Library's 2018 property tax revenue was levied and collectible on December 1, 2018 and is recognized as revenue in the year ended June 30, 2019 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2018 taxable valuation of the participating municipalities totaled $2,152 million before adjustments, on which taxes levied consisted of 2.0 mills for operating purposes. This resulted in approximately $4.3 million for General Fund operations. This amount was reported in the General Fund as tax revenue.

Note 1 - Significant Accounting Policies (Continued)

Advance and Current Refundings

In prior years, the Library defeased certain bonds by placing proceeds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account's assets and liabilities for defeased bonds are not included in the basic financial statements. At June 30, 2019, approximately $635,000 of bonds outstanding is considered defeased.

Pension and Other Postemployment Benefit (OPEB) Plan

The Library offers pension benefits to all retirees and OPEB benefits to MPSERS retirees. For purposes of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPSERS) and Municipal Employees' Retirement System of Michigan (MERS) and additions to/deductions from the MPSERS and MERS fiduciary net position have been determined on the same basis as they are reported by MPSERS and MERS. MPSERS and MERS use the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

Compensated Absences (Vacation and Sick Leave)

It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the Library will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee’s compensation are used to liquidate the obligations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Comparative Data

Comparative total data is not included in the Library's financial statements.

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 previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use 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 June 30, 2021.

Note 2 - Reconciliation of Individual Fund Columns 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 columns because of the different measurement focus and basis of accounting, as discussed in Note 1. Below is a reconciliation of the differences:

Total Fund Balance - Modified Accrual Basis	$ 4,606,506
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not financial resources and are not reported in the funds	5,352,033
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	(402,000)
Net MPSERS pension and OPEB liability and related deferred inflows and outflows	(1,285,743)
Net MERS pension liability and related deferred inflows and outflows	(493,539)
Revenue in support of pension and OPEB contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position	(40,623)
Total Net Position - Full Accrual Basis	$ 7,736,634

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 columns because of the different measurement focus and basis of accounting, as discussed in Note 1. Below is a reconciliation of the differences:

Net Change in Fund Balance - Modified Accrual Basis	$ (285,443)
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:	
Capital outlay is not an expense of the current period	838,815
Capital costs are allocated over their estimated useful lives as depreciation	(737,821)
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	(25,050)
Decrease in the accrual for long-term compensated absences is reported as an expenditure in the statement of activities, but not in the fund financial statements	(27,000)
Decrease in the accrual for vacation liability is reported as an expenditure in the statement of activities, but not in the fund financial statements	(14,000)
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	127,081
Change in Net Position - Full Accrual Basis	$ (123,418)

Note 3 - Deposits and Investments

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 four banks and six credit unions for the deposit of its funds. The investment policy adopted by the board is in accordance with Public Act 196 of 1997.

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 $1,928,392 of bank deposits (certificates of deposit and 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 FDIC/NCUA 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.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Library's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. At June 30, 2019, the Library does not have investments with interest rate risk.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Library has no investment policy that would further limit its investment choices. At June 30, 2019, the Library does not have investments with credit risk.

Concentration of Credit Risk

The Library places no limit on the amount it may invest in any one issuer. The Library has no investments subject to custodial credit risk.

Note 4 - Capital Assets

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

	Balance July 1, 2018	Additions	Disposals	Balance June 30, 2019
Capital assets not being depreciated - Land	$ 980,185	$ -	$ -	$ 980,185
Capital assets being depreciated:				
Buildings and improvements	3,275,149	153,941	-	3,429,090
Equipment	1,425,282	-	-	1,425,282
Furniture and fixtures	1,524,068	8,070	-	1,532,138
Land improvements	258,636	-	-	258,636
Books, periodicals, etc.	4,357,931	676,804	(939,379)	4,095,356
Subtotal	10,841,066	838,815	(939,379)	10,740,502
Accumulated depreciation:				
Buildings and improvements	1,874,107	136,637	-	2,010,744
Equipment	1,257,085	26,981	-	1,284,066
Furniture and fixtures	1,357,931	29,562	-	1,387,493
Land improvements	179,960	11,240	-	191,200
Books, periodicals, etc.	1,901,129	533,401	(939,379)	1,495,151
Subtotal	6,570,212	737,821	(939,379)	6,368,654
Net capital assets being depreciated	4,270,854	100,994	-	4,371,848
Net governmental activities capital assets	$ 5,251,039	$ 100,994	$ -	$ 5,352,033

Note 5 - Accrued Compensated Absences

Sick Leave Benefit

The Library's employees are granted 12 sick days per year. Unused sick leave may be accumulated up to certain limits. Employees are paid for a portion of their unused sick leave upon retirement.

Employee Compensated Absences

Contractual library staff earn compensated absence days, on their anniversary date, to be used during the next year. Library employees are allowed to carry forward to the next year up to three unused vacation days; other compensated absence days not used as of the employee's anniversary date are forfeited.

As of June 30, 2019, the Library had the following liability recorded:

	Balance June 30, 2019	Amount Due within One Year
Sick leave benefit	$ 208,000	$ -
Employee compensated absences	194,000	194,000
Total	$ 402,000	$ 194,000

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Kellogg Company	$ 246

Interfund transfers reported in the fund financial statements are composed of the following:

Transfer in Fund	Transfer out Fund	Amount
General Fund	Kellogg Company	$ 25,000
	Owen Endowment Fund	50,000
	Capital Improvement Fund	150,000
	Total General Fund	$ 225,000

Transfers into the General Fund totaling $25,000 from the Kellogg Company special revenue fund were to cover various expenses associated with maintaining a librarian there. Transfers into the General Fund totaling $150,000 from the Capital Improvement Fund were to cover future capital expenditures approved by the board during the year. Transfers into the General Fund totaling $50,000 from the Owen Endowment Fund were to cover future endowment expenditures approved by the board during the year.

Note 7 - Battle Creek School District

The building and real estate in downtown Battle Creek used by the Library are being leased from the School District of the City of Battle Creek for $1 per year, as stated in the agreement entered into with the school district in 1994. The fair market value of this lease is not known.

Note 8 - Municipal Employees' Retirement System of Michigan

Plan Description

The Library participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan), which covers approximately three-quarters of the employees of the Library. 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 that includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmichigan.com or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Benefits Provided

The plan provides 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 1.7 percent of the employee's final three-year average compensation. Normal retirement age is 60 with unreduced early retirement at 50 with 30 years of service. Reduced early retirement is available at ages 55 and 50, with 15 and 25 years of service, respectively. The vesting period is 10 years. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. Death benefits are always the larger of the benefit computed as a contingent survivor beneficiary or 85 percent of the accrued retirement allowance benefit.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are 2.5 percent, noncompounding.

Note 8 - Municipal Employees' Retirement System of Michigan (Continued)

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the library board, generally after negotiations of these terms with employees.

Employees Covered by Benefit Terms

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

Inactive plan members or beneficiaries currently receiving benefits	7
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	36
Total employees covered by the plan	45

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 cost of benefits earned by the 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 June 30, 2019, the average active employee contribution rate was 4.0 percent of annual pay for all employees participating in the plan. The Library's average contribution rate was 7.71 and 9.64 percent for librarians and library support staff, respectively.

Net Pension Liability

The Library has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The June 30, 2019 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2018 measurement date. The December 31, 2018 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

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

	Increase (Decrease)		
Changes in Net Pension Liability	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2017	$ 3,951,897	$ 3,663,953	$ 287,944
Changes for the year:			
Service cost	180,593	-	180,593
Interest	319,354	-	319,354
Differences between expected and actual experience	98,537	-	98,537
Contributions - Employer	-	134,095	(134,095)
Contributions - Employee	-	81,049	(81,049)
Net investment loss	-	(150,760)	150,760
Benefit payments, including refunds	(100,543)	(100,543)	-
Administrative expenses	-	(7,289)	7,289
Net changes	497,941	(43,448)	541,389
Balance at December 31, 2018	$ 4,449,838	$ 3,620,505	$ 829,333

Note 8 - Municipal Employees' Retirement System of Michigan (Continued)

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

For the year ended June 30, 2019, the Library recognized pension expense of $225,920.

At June 30, 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	$ 162,806	$ 257,387
Changes in assumptions	96,992	-
Net difference between projected and actual earnings on pension plan investments	269,468	-
Employer contributions to the plan subsequent to the measurement date	63,915	-
Total	$ 593,181	$ 257,387

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date ($63,915), which will impact the net pension liability in fiscal year 2020, rather than pension expense.

Years Ending June 30	Amount
2020	$ 88,219
2021	37,174
2022	56,020
2023	90,160
2024	526
Thereafter	(220)
Total	$ 271,879

Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using an inflation assumption of 2.50 percent, assumed salary increases (including inflation) of 3.75 percent, and an investment rate of return (net of investment expenses) of 8.00 percent.

Mortality rates were based on a blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables, all with a 50 percent male and 50 percent female blend. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table with a 50 percent male and 50 percent female blend is used to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of the most recent actuarial experience study conducted for the period from January 1, 2009 through December 31, 2013.

Note 8 - Municipal Employees' Retirement System of Michigan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 8.00 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 library contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

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 or 1 percentage point higher than the current rate:

	1 Percent Decrease (7.00%)	Current Discount Rate (8.00%)	1 Percent Increase (9.00%)
Net pension liability of the Library	$ 1,500,407	$ 829,333	$ 275,408

Pension Plan Fiduciary Net Position

Detailed information about the plan’s fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about 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 - Michigan Public School Employees' Retirement System

Plan Description

The Library participates in the Michigan Public School Employees' Retirement System (the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers employees of the Library hired prior to March 1, 1994. The Library was previously included as part of the School District of the City of Battle Creek. Employees formerly employed by the school district were eligible to continue participation in the MPSERS plan. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at http://www.michigan.gov/orsschools, or by writing to the Office of Retirement System (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and the postemployment healthcare plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan and the postemployment healthcare plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member’s date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. For some members who do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of each retiree healthcare recipient. Depending on the member’s date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Note 9 - Michigan Public School Employees' Retirement System (Continued)

Contributions

Public Act 300 of 1980, as amended, required the Library to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to the retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3 percent contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stopped paying the 3 percent contribution to the retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

The Library's contributions are determined based on employee elections. There are multiple different pension and healthcare benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The range of rates is as follows:

	Pension	OPEB
October 1, 2017 - January 31, 2018	13.54% - 19.74%	7.42% - 7.67%
February 1, 2018 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The Library's required and actual pension contributions to the plan for the year ended June 30, 2019 were $75,458, which include the Library's contributions required for those members with a defined contribution benefit. The Library's required and actual pension contributions include an allocation of $40,623 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2019.

The Library's required and actual OPEB contributions to the plan for the year ended June 30, 2019 were $15,186, which include the Library's contributions required for those members with a defined contribution benefit.

Note 9 - Michigan Public School Employees' Retirement System (Continued)

Net Pension Liability

At June 30, 2019, the Library reported a liability of $963,460 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017, which used updated procedures to roll forward the estimated liability to September 30, 2018. The Library's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the Library's proportion was 0.003205 percent and 0.003394 percent, respectively.

Net OPEB Liability

At June 30, 2019, the Library reported a liability of $209,511 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2019 was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2017, which used updated procedures to roll forward the estimated liability to September 30, 2018. The Library’s proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the Library’s proportion was 0.002636 percent and 0.003419 percent, respectively, of MPSERS in total.

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

For the year ended 2019, the Library recognized pension recovery of $43,733, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 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	$ 4,471	$ (7,001)
Changes in assumptions	223,136	-
Net difference between projected and actual earnings on pension plan investments	-	(65,876)
Changes in proportion and differences between the Library's contributions and proportionate share of contributions	-	(262,041)
The Library's contributions to the plan subsequent to the measurement date	66,874	-
Total	$ 294,481	$ (334,918)

The $40,623 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ended June 30, 2019. 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	Amount
2020	$ (80,235)
2021	(31,541)
2022	(3,157)
2023	7,622
Total	$ (107,311)

Note 9 - Michigan Public School Employees' Retirement System (Continued)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended year ended June 30, 2019, the Library recognized OPEB recovery of $2,585.

At June 30, 2019, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ (38,995)
Changes in assumptions	22,187	-
Net difference between projected and actual earnings on OPEB plan investments	-	(8,052)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	11	(58,969)
Employer contributions to the plan subsequent to the measurement date	11,483	-
Total	$ 33,681	$ (106,016)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future pension expense):

Years Ending	Amount
2020	$ (18,951)
2021	(18,951)
2022	(18,951)
2023	(17,309)
2024	(9,656)
Total	$ (83,818)

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2018 are based on the results of an actuarial valuation as of September 30, 2017 and rolled forward. The total pension liability and total OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal cost actuarial cost method
Investment rate of return - Pension	6.00% - 7.05%	Net of investment expenses based on the groups
Investment rate of return - OPEB	7.15%	Net of investment expenses based on the groups
Salary increases	3.50% - 12.30%	Including wage inflation of 3.50 percent
Healthcare cost trend rate - OPEB	7.50%	(Year 1 graded to 3.0 percent year 12)
Mortality basis		RP2014 Male and Female Employee Annuitant Mortality tables, scaled 100 percent (retirees: 82 percent male and 78 percent for females) and adjusted for mortality improvements using projection scale MP2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Note 9 - Michigan Public School Employees' Retirement System (Continued)

Assumption changes as a result of an experience study for the periods from 2012 to 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation.

There were significant changes in assumptions for both the pension and OPEB, including the following: reduction of the discount rate by 0.45 percent in the pension plan and 0.35 percent in the OPEB plan, decrease in wage inflation from 3.5 to 2.75 percent, and a change in mortality tables from RP-2000 to RP-2014.

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 7.05 percent as of September 30, 2018 depending on the plan option. The discount rate used to measure the total OPEB liability was 7.15 percent as of September 30, 2018. 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 library contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan’s fiduciary net position were 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 and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.00 %	5.70 %
Private equity pools	18.00	9.20
International equity pools	16.00	7.20
Fixed-income pools	10.50	0.50
Real estate and infrastructure pools	10.00	3.90
Absolute return pools	15.50	5.20
Short-term investment pools	2.00	-
Total	100.00 %	

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 depending on the plan option. The following also reflects what the Library's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.05%)	Current Rate (7.05%)	1 Percent Increase (8.05%)
Net pension liability of the Library	$ 1,264,948	$ 963,460	$ 712,972

Note 9 - Michigan Public School Employees' Retirement System (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Library, calculated using the current discount rate. It also reflects what the Library's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.15%)	Current Rate (7.15%)	1 Percent Increase (8.15%)
Net OPEB liability of the Library	$ 251,514	$ 209,511	$ 174,182

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the Library, calculated using the current healthcare cost trend rate. It also reflects what the Library's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.50%)	Current Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the Library	$ 172,321	$ 209,511	$ 252,176

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the plan’s fiduciary net position is available in the separately issued MPSERS financial report.

Note 10 - 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 participates in the Middle Cities Risk Management Trust and the Michigan Municipal League (risk pools) for claims relating to the above.

The shared-risk pool program in which the Library participates operates as a common risk-sharing management program for school districts and district libraries in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 11 - Funds Held by the Battle Creek Community Foundation

The Library is the beneficiary of endowment funds at the Battle Creek Community Foundation (the "Foundation") that are considered permanent endowments to benefit the Library. The endowments are within the Foundation and are not part of the Library's basic financial statements. The net earnings of the funds shall be paid to the Library annually. The Library may direct the earnings to be reinvested within the funds. The amount of the endowment funds held at Battle Creek Community Foundation in the Campbell Fund, Denman Fund, and Willard Library Fund totaled $1,106,080.

During the year, the Library withdrew past earnings on principal from the endowment funds held at Battle Creek Community Foundation totaling $41,390. All of the funds were placed in the General Fund.

Note 12 - Tax Abatements

The Library receives reduced property tax revenue as a result of industrial facilities tax exemptions (PA 198 of 1974) and brownfield redevelopment agreements granted by cities, villages, and townships within the boundaries of the Library. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities; brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2019, the Library's property tax revenue was reduced by approximately $84,000 under these programs.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule
General Fund

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	$ 4,427,595	$ 4,381,798	$ 4,400,818	$ 19,020
State sources - Unrestricted	685,000	507,620	507,620	-
Fees and book fines	130,000	130,000	131,975	1,975
Penal fines	165,000	165,000	189,062	24,062
Casino PILT disbursement	160,000	178,680	178,681	1
Other revenue:				
Local contributions, contracts, and other	95,000	99,390	103,799	4,409
Grant funding	-	166,487	165,956	(531)
Imagination library	101,000	-	-	-
Total revenue	5,763,595	5,628,975	5,677,911	48,936
Expenditures				
Program services:				
Audiovisual, books, and periodicals	1,096,400	1,062,900	983,061	79,839
Grant expenses	-	181,987	165,320	16,667
Imagination Library	116,500	-	-	-
Support services - General administration:				
Personnel	3,510,030	3,444,587	3,419,114	25,473
Communications	186,000	136,000	122,174	13,826
Office supplies	76,000	70,000	66,305	3,695
Public utilities	155,000	178,000	160,731	17,269
Purchased services	677,000	627,000	592,274	34,726
Insurance	21,416	21,416	21,416	-
Repairs and maintenance	375,000	370,000	337,829	32,171
Repairs and maintenance supplies	40,000	35,000	24,953	10,047
Capital expenditures	165,000	147,500	125,744	21,756
Total expenditures	6,418,346	6,274,390	6,018,921	255,469
Excess of Expenditures Over Revenue	(654,751)	(645,415)	(341,010)	304,405
Other Financing Sources - Transfers in	162,500	225,000	225,000	-
Net Change in Fund Balance	(492,251)	(420,415)	(116,010)	304,405
Fund Balance - Beginning of year	2,909,575	2,909,575	2,909,575	-
Fund Balance - End of year	**$ 2,417,324**	**$ 2,489,160**	**$ 2,793,565**	**$ 304,405**

See notes to required supplemental information.

Required Supplemental Information
Schedule of the Library's Proportionate Share of the Net Pension Liability
Michigan Public School Employees' Retirement System

Last Five Plan Years

Plan Years Ended September 30

	2018	2017	2016	2015	2014
Library's proportion of the net pension liability	0.00320 %	0.00339 %	0.00431 %	0.00491 %	0.00640 %
Library's proportionate share of the net pension liability	$ 963,460	$ 879,447	$ 1,075,896	$ 1,198,871	$ 1,408,597
Library's covered payroll	$ 223,054	$ 256,094	$ 327,842	$ 410,442	$ 541,540
Library's proportionate share of the net pension liability as a percentage of its covered payroll	431.94 %	343.41 %	328.18 %	292.09 %	260.11 %
Plan fiduciary net position as a percentage of total pension liability	62.12 %	63.96 %	63.01 %	62.92 %	66.20 %

See notes to required supplemental information.

Required Supplemental Information
Schedule of Pension Contributions
Michigan Public School Employees' Retirement System

Last Five Fiscal Years

Years Ended June 30

	2019	2018	2017	2016	2015
Statutorily required contribution	$ 75,458	$ 82,067	$ 82,714	$ 105,846	$ 93,593
Contributions in relation to the statutorily required contribution	75,458	82,067	82,714	105,846	93,593
Contribution Deficiency	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Library's Covered Payroll	$ 193,335	$ 233,689	$ 272,784	$ 353,069	$ 427,610
Contributions as a Percentage of Covered Payroll	39.03 %	35.12 %	30.32 %	29.98 %	21.89 %

See notes to required supplemental information.

Required Supplemental Information
Schedule of the Library's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees' Retirement System

Last Two Fiscal Years

Plan Years Ended September 30

	2018	2017
Library's proportion of the net OPEB liability	0.00264 %	0.00342 %
Library's proportionate share of the net OPEB liability	$ 209,511	$ 302,800
Library's covered employee payroll	$ 223,054	$ 256,094
Library's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	93.93 %	118.24 %
Plan fiduciary net position as a percentage of total OPEB liability	43.10 %	36.53 %

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Required Supplemental Information
Schedule of OPEB Contributions
Michigan Public School Employees' Retirement System

Last Two Fiscal Years

Years Ended June 30

	2019	2018
Statutorily required contribution	$ 15,186	$ 16,896
Contributions in relation to the statutorily required contribution	15,186	16,896
Contribution Deficiency	**$ -**	**$ -**
Library's Covered Employee Payroll	$ 193,335	$ 233,689
Contributions as a Percentage of Covered Employee Payroll	7.86 %	7.23 %

See notes to required supplemental information.

Required Supplemental Information
Schedule of Changes in the Library's Net Pension Liability and Related Ratios
Municipal Employees' Retirement System

Last Five Calendar Years

	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	$ 180,593	$ 173,325	$ 158,161	$ 160,944	$ 152,746
Interest	319,354	289,525	287,932	241,873	212,335
Differences between expected and actual experience	98,537	(6,723)	(378,237)	130,577	-
Changes in assumptions	-	-	-	161,654	-
Benefit payments, including refunds	(100,543)	(73,239)	(37,824)	(14,776)	(7,511)
Net Change in Total Pension Liability	497,941	382,888	30,032	680,272	357,570
Total Pension Liability - Beginning of year	3,951,897	3,569,009	3,538,977	2,858,705	2,501,135
Total Pension Liability - End of year	**$ 4,449,838**	**$ 3,951,897**	**$ 3,569,009**	**$ 3,538,977**	**$ 2,858,705**
Plan Fiduciary Net Position					
Contributions - Employer	$ 134,095	$ 127,294	$ 110,988	$ 109,701	$ 97,103
Contributions - Member	81,049	76,000	72,494	74,344	68,205
Net investment (loss) income	(150,760)	424,891	314,591	(41,433)	146,539
Administrative expenses	(7,289)	(6,701)	(6,196)	(5,822)	(5,445)
Benefit payments, including refunds	(100,543)	(73,239)	(37,824)	(14,776)	(7,511)
Net Change in Plan Fiduciary Net Position	(43,448)	548,245	454,053	122,014	298,891
Plan Fiduciary Net Position - Beginning of year	3,663,953	3,115,708	2,661,655	2,539,641	2,240,750
Plan Fiduciary Net Position - End of year	**$ 3,620,505**	**$ 3,663,953**	**$ 3,115,708**	**$ 2,661,655**	**$ 2,539,641**
Library's Net Pension Liability - Ending	**$ 829,333**	**$ 287,944**	**$ 453,301**	**$ 877,322**	**$ 319,064**
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	81.36 %	92.71 %	87.30 %	75.21 %	88.84 %
Covered Payroll	$ 1,982,078	$ 1,920,389	$ 1,777,552	$ 1,821,734	$ 1,732,211
Library's Net Pension Liability as a Percentage of Covered Payroll	41.84 %	14.99 %	25.50 %	48.16 %	18.42 %

See notes to required supplemental information.

Required Supplemental Information
Schedule of the Library's Contributions
Municipal Employees' Retirement System

Last Ten Fiscal Years

Years Ended June 30

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	$ 134,095	$ 127,294	$ 110,988	$ 109,701	$ 98,221	$ 87,360	$ 76,192	$ 71,986	$ 80,430	$ 79,380
Contributions in relation to the actuarially determined contribution	134,095	127,294	110,988	109,701	98,221	87,360	76,192	71,986	80,430	79,380
Contribution Deficiency	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Covered Payroll	$ 1,982,078	$ 1,920,389	$ 1,777,552	$ 1,821,734	$ 1,732,211	$ 1,586,548	$ 1,533,439	$ 1,478,236	$ 1,411,642	$ 1,336,991
Contributions as a Percentage of Covered Payroll	6.77 %	6.63 %	6.24 %	6.02 %	5.67 %	5.51 %	4.97 %	4.87 %	5.70 %	5.94 %

Notes to Schedule of the Library's Contributions - Municipal Employees' Retirement System

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of December 31, a half year prior to the start of the fiscal year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal (level of percentage of compensation)
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 years
Asset valuation method	10-year smoothed market
Inflation	2.50 percent
Salary increase	3.75 percent
Investment rate of return	8.00 percent
Retirement age	55-60 years of age
Mortality	Mortality rates were based on a blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables, all with a 50 percent male and 50 percent female blend. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table with a 50 percent male and 50 percent female blend is used to reflect the higher expected mortality rates of disabled members.
Other information	None

Budgetary Information

The annual budget is prepared by the library director and adopted by the Library's board of trustees; subsequent amendments are approved by the Library's board of trustees. Unexpected appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 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.

The budgetary comparison schedule (statement of revenue, expenditures, and changes in fund balance - budget and actual) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on a departmental basis, expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of the actual results of operations and the General Fund budget, as adopted by the library board, is available at the Library for inspection. There were no significant budget overruns during the year ended June 30, 2019.

Pension Information - Michigan Public School Employees' Retirement System

Ultimately, 10 years of data will be presented in both the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms for each of the reported plan years.

Changes in Assumptions

There were no significant changes of assumptions for each of the reported plan years ended September 30, except for the following:

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percent.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percent.

OPEB Information - Michigan Public School Employees' Retirement System

Benefit Changes

There were no changes of benefit terms for each of the reported plan years.

Changes in Assumptions

There were no significant changes of assumptions for each of the plan years ended September 30, except for the following:

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percent.

Covered Payroll

The employees' covered payroll to be reported in the required supplemental information is defined by GASB Statement No. 82, *Pension Issues - An Amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based and by GASB Statement No. 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For the Library, covered payroll represents payroll on which contributions to both plans are based.