

# **Romeo District Library**

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**Financial Report  
with Supplemental Information  
June 30, 2015**

# Romeo District Library

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## Contents

<b>Report Letter</b>	1-2
<b>Management's Discussion and Analysis</b>	3-7
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Governmental Fund:	
Balance Sheet	10
Reconciliation of the Balance Sheet to the Statement of Net Position	11
Statement of Revenue, Expenditures, and Changes in Fund Balance	12
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities	13
Notes to Financial Statements	14-28
<b>Required Supplemental Information</b>	29
Budgetary Comparison Schedule - General Fund	30
Note to Required Supplemental Information	31
Schedule of Changes in Library Net Pension Liability and Related Ratios	32
Schedule of Library Contributions	33

## Independent Auditor's Report

To the Board of Directors  
Romeo District Library

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

We have audited the accompanying financial statements of the governmental activities and the General Fund of Romeo District Library (the "Library") as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise Romeo District 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 an opinion 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 opinion.

To the Board of Directors  
Romeo District Library

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Romeo District Library as of June 30, 2015 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.

***Emphasis of Matter***

As discussed in Note 2 to the basic financial statements, in 2015, the Library adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Accordingly, the beginning of year net position has been restated to reflect the change in accounting. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, General Fund budgetary comparison schedule, schedule of changes in the library net pension liability and related ratios, and schedule of library contributions as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Plante & Moran, PLLC*

September 29, 2015

# **Romeo District Library**

## **Management's Discussion and Analysis**

This section of Romeo District Library's (the "Library") annual financial report presents our discussion and analysis of the Library's financial performance during the year ended June 30, 2015. Please read it in conjunction with the Library's financial statements, which immediately follow this section.

### **Using this Annual Report**

This annual report consists of three parts - management's discussion and analysis, the basic financial statements, and required supplemental information. The basic financial statements include information that presents two different views of the Library:

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

# Romeo District Library

## Management's Discussion and Analysis (Continued)

### Condensed Financial Information

The tables below provide key financial information in a condensed format for the current and prior years:

	Governmental Activities			Percent Change
	2014*	2015	Change	
<b>Assets</b>				
Other assets	\$ 1,988,895	\$ 1,935,251	\$ (53,644)	-3%
Capital assets	<u>4,484,795</u>	<u>4,522,534</u>	<u>37,739</u>	1%
Total assets	6,473,690	6,457,785	(15,905)	0%
<b>Deferred Outflows</b>	3,597	52,952	49,355	1372%
<b>Liabilities</b>				
Current liabilities	79,241	29,053	(50,188)	-63%
Long-term liabilities	<u>249,401</u>	<u>293,411</u>	<u>44,010</u>	18%
Total liabilities	<u>328,642</u>	<u>322,464</u>	<u>(6,178)</u>	-2%
<b>Net Position</b>				
Net investment in capital assets	4,558,759	4,522,534	(36,225)	-1%
Unrestricted	<u>1,589,886</u>	<u>1,665,739</u>	<u>75,853</u>	5%
Total net position	<u><b>\$ 6,148,645</b></u>	<u><b>\$ 6,188,273</b></u>	<u><b>\$ 39,628</b></u>	1%

\* 2014 amounts have been restated to reflect the changes for GASB No. 68 *Implementation and for Comparability*.

# Romeo District Library

## Management's Discussion and Analysis (Continued)

	Governmental Activities			
	2014	2015	Change	Percent Change
<b>Revenue</b>				
Program revenue:				
Charges for services	\$ 45,759	\$ 43,590	\$ (2,169)	-5%
Operating grants	-	2,500	2,500	-
General revenue:				
Property taxes	1,771,455	1,870,120	98,665	6%
State revenue and penal fines	39,630	52,767	13,137	33%
Gifts and memorial and other income	<u>3,327</u>	<u>15,610</u>	<u>12,283</u>	369%
Total revenue	1,860,171	1,984,587	124,416	7%
<b>Program Expenses - General government</b>	<u>2,101,594</u>	<u>1,944,959</u>	<u>(156,635)</u>	-7%
<b>Change in Net Position</b>	<u>\$ (241,423)</u>	<u>\$ 39,628</u>	<u>\$ 281,051</u>	-116%
	General Fund			
	2014	2015	Change	Percent Change
<b>Revenue</b>				
Property taxes	\$ 1,769,631	\$ 1,868,703	\$ 99,072	6%
State aid	18,336	19,930	1,594	9%
Penal fines	21,294	27,326	6,032	28%
Book fines	37,176	43,895	6,719	18%
Service fees	8,583	7,756	(827)	-10%
Grants	-	10,237	10,237	100%
Gifts and memorials	415	70	(345)	-83%
Other revenue	<u>2,912</u>	<u>5,253</u>	<u>2,341</u>	80%
Total revenue	1,858,347	1,983,170	124,823	7%
<b>Expenditures</b>				
Library administration	1,653,208	1,706,733	53,525	3%
Capital outlay	<u>179,458</u>	<u>279,893</u>	<u>100,435</u>	56%
Total expenditures	<u>1,832,666</u>	<u>1,986,626</u>	<u>153,960</u>	8%
<b>Net Change in Fund Balance</b>	25,681	(3,456)	(29,137)	-113%
<b>Fund Balances - Beginning of year</b>	<u>1,879,807</u>	<u>1,905,488</u>	<u>25,681</u>	1%
<b>Fund Balances - End of year</b>	<u>\$ 1,905,488</u>	<u>\$ 1,902,032</u>	<u>\$ (3,456)</u>	0%

# **Romeo District Library**

## **Management's Discussion and Analysis (Continued)**

### **The Library as a Whole**

- The Library's net position increased by \$39,628 this year, or approximately 1 percent.
- The Library's primary source of revenue is from property taxes, which represents 94 percent of total revenue.
- Total expenses on a government-wide basis were 102 percent of total revenue for the year ended June 30, 2015. Salaries amounted to approximately 48.1 percent of total expenditures. Benefits amounted to 12.1 percent of total expenditures.

### **The Library's Fund**

The Library uses funds to help it control and manage money for particular purposes. Looking at funds helps one consider whether the Library is being accountable for the resources it is provided and provides insight into the Library's financial health. The Library currently has one fund, the General Fund.

Operations of the General Fund are financed by revenue from local property taxes, fines and fees, state aid, and other resources. The most significant expenditures of the General Fund are personnel and related expenditures, library materials and programs, and maintenance expenditures.

The fund balance of the General Fund decreased during the current year by \$3,456. Current year revenue increased 7.0 percent when compared to 2014 due to an increase in property tax revenues based on increased taxable values in homes and new buildings in the communities. There was also an increase in revenue related to fees as well as book sales for the new store that opened at the Graubner branch. Current year expenditures increased 8 percent when compared to 2014, caused by increases in the salary and wage expense and the costs related to purchases of new materials for library patrons.

### **Library Budgetary Highlights**

Over the course of the year, the Library board amended the budget to take into account events that occurred during the year. These include factoring in employee benefit cost changes and adjustments to the budget for capital outlay and planned asset purchases. The Library came in over budget in a few departments such as salaries and wages and contracted services. The overages were caused by additional wage expense, costs related to maintenance, and legal costs. However, several other departments were under budget due to changes Library management made to save money and certain capital purchases that were not made in the current year but were budgeted for.



# **Romeo District Library**

## **Management's Discussion and Analysis (Continued)**

### **Capital Assets**

At the end of the fiscal year, the Library had \$4,522,534 net investment in capital assets, including buildings and improvements, collection materials, land, furnishings, and office and computer equipment. During the fiscal year, the Library accumulated additions to capital assets of approximately \$80,000 for building improvements, \$23,000 for office equipment, \$22,500 for library furnishings, and \$159,000 for new collection materials consisting of books, video materials, audio books, and music CDs. We present more detailed information about our capital assets in the notes to the financial statements.

### **Economic Factors and Considerations for Next Year**

The tax base of southeastern Michigan is continuing to stabilize. While tax revenue is not estimated to increase for the Library, it is no longer rapidly declining. Considering that property taxes make up over 90 percent of the Library's revenue, the Library must continue to watch the budget closely, as stagnant revenue will continue to have an impact on operations. The Library will continue to monitor and control expenses in the upcoming year. As the Library completes its strategic plan, the board and administration will be able to tie expenditures to strategic goals designed to serve the local community. The board and administration must also monitor the elimination of the personal property tax for its effect on the Library's revenue.

Expenditures that will be especially important in the coming year include salaries, health insurance benefits, and pension costs, because they are such a significant portion of the Library's operating expenses. The Library has also planned for some capital improvement projects that must be monitored to ensure public funds are spent wisely.

### **Contacting the Library's Management**

This financial report is intended to provide our citizens, taxpayers, patrons, and donors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Romeo District Library  
Library Director  
65821 Van Dyke  
Washington Township, Michigan 48095

# Romeo District Library

## Statement of Net Position June 30, 2015

	Primary Government <u>Governmental Activities</u>
<b>Assets</b>	
Cash and investments (Note 3)	\$ 1,900,754
Receivables:	
Property taxes receivable	4,166
Suburban Library Cooperative Account	23,015
Prepaid expenses and other assets	7,316
Capital assets (Note 4):	
Assets not subject to depreciation	236,733
Assets subject to depreciation	<u>4,285,801</u>
Total assets	6,457,785
<b>Deferred Outflows of Resources</b>	
Deferred outflow - Employer contributions made subsequent to measurement date	13,194
Deferred outflow - Net difference between projected and actual earnings on pension plan investments (Note 7)	<u>39,758</u>
Total deferred outflows of resources	52,952
<b>Liabilities</b>	
Accounts payable	7,375
Accrued liabilities and other	21,678
Noncurrent liabilities:	
Due within one year - Compensated absences (Note 5)	86,000
Due in more than one year:	
Compensated absences (Note 5)	11,801
Net pension liability (Note 7)	<u>195,610</u>
Total liabilities	<u>322,464</u>
<b>Net Position</b>	
Net investment in capital assets	4,522,534
Unrestricted	<u>1,665,739</u>
Total net position	<u><u>\$ 6,188,273</u></u>

# Romeo District Library

## Statement of Activities Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenue		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Primary Governmental Activities
Primary government - Governmental activities - Library services/operations	<u>\$ 1,944,959</u>	<u>\$ 43,590</u>	<u>\$ 2,500</u>	\$ (1,898,869)
General revenue:				
Property taxes				1,870,120
State revenue and penal fines				52,767
Investment income				10,237
Gifts and memorials				70
Other miscellaneous income				<u>5,303</u>
Total general revenue				<u>1,938,497</u>
<b>Change in Net Position</b>				<b>39,628</b>
<b>Net Position - Beginning of year (as restated)</b> (Note 2)				<u>6,148,645</u>
<b>Net Position - End of year</b>				<u><b>\$ 6,188,273</b></u>

# Romeo District Library

## Governmental Funds Balance Sheet June 30, 2015

	<u>General Fund</u>
<b>Assets</b>	
Cash and investments (Note 3)	\$ 1,900,754
Receivables:	
Delinquent personal property taxes receivable	4,166
Suburban Library Cooperative Account	23,015
Prepaid expenses	<u>7,316</u>
Total assets	<u><u>\$ 1,935,251</u></u>
 <b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	
<b>Liabilities</b>	
Accounts payable	\$ 7,375
Accrued liabilities and other	<u>21,678</u>
Total liabilities	29,053
<b>Deferred Inflows of Resources</b> - Unavailable revenue	4,166
<b>Fund Balance</b>	
Nonspendable - Prepays (Note 1)	7,316
Assigned - Property taxes collected to fund fiscal year 2016 expenditures (Note 1)	934,000
Unassigned	<u>960,716</u>
Total fund balance	<u>1,902,032</u>
Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$ 1,935,251</u></u>

# Romeo District Library

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## Governmental Fund Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2015

<b>Fund Balance Reported in Governmental Funds</b>	\$ 1,902,032
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	4,522,534
Deferred outflows of resources - Pension difference between projected and actual investment earnings as well as contributions made to the plan after the measurement date	52,952
Deferred inflows of resources - Delinquent personal property taxes receivable that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the fund	4,166
Employee compensated absences 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	(97,801)
Net pension liability	<u>(195,610)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 6,188,273</u></b>

# Romeo District Library

## Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance Year Ended June 30, 2015

	<u>General Fund</u>
<b>Revenue</b>	
Property taxes	\$ 1,868,703
State aid	19,930
Penal fines	27,326
Book fines	35,884
State-shared revenue and grants	8,011
Service fees	7,756
Grants	10,237
Gifts and memorials	70
Other revenue	5,253
	<hr/>
Total revenue	1,983,170
<b>Expenditures - Current</b>	
Salaries and wages	1,011,582
Employee benefits	256,738
Supplies	27,845
Contracted services	133,108
Technology and maintenance	120,951
Utilities	80,047
Public relations	9,058
Other charges	25,933
Library services and materials	41,471
Capital outlay:	
Collection	152,717
Other	127,176
	<hr/>
Total expenditures	1,986,626
<b>Net Change in Fund Balance</b>	(3,456)
<b>Fund Balance - Beginning of year</b>	<hr/> 1,905,488
<b>Fund Balance - End of year</b>	<hr/> <b>\$ 1,902,032</b> <hr/>

# Romeo District Library

## **Governmental Fund Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities Year Ended June 30, 2015**

<b>Net Change in Fund Balance - Total Governmental Fund</b>	\$ (3,456)
Amounts reported for governmental activities in the statement of activities are different because:	
The governmental fund reports capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	284,344
Depreciation expense	(245,656)
Net book value of assets disposed of	(949)
Change in deferred outflows of resources - Pension difference between projected and actual investment earnings as well as contributions made to the plan after the measurement date	49,358
The change in the liability for compensated absences is recorded when incurred in the statement of activities	48,184
The change in the net pension liability is recorded when incurred in the statement of activities	(92,197)
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 39,628</u></b>

# Romeo District Library

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## Notes to Financial Statements June 30, 2015

### Note I - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by Romeo District Library (the "Library"):

#### **Reporting Entity**

Romeo District Library operates under the authority of P.A. 24 of the Michigan P.A. of 1989, as amended. The Library's major support is from property taxes levied in the Village of Romeo, the Township of Washington, and the Township of Bruce. The Library is governed by a six-member appointed board of trustees. There are no component units, as defined by generally accepted accounting principles, that are required to be presented in the financial statements.

#### **Accounting and Reporting Principles**

The Library follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

#### **Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Delinquent personal property taxes will be collected after the period of availability; therefore, a receivable and a "deferred inflow of resources" have been recorded.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences are recorded only when payment is due.

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

The Library reports all of its activities in a single fund on the modified accrual basis.



### Note I - Summary of Significant Accounting Policies (Continued)

#### Fund Accounting

The Library accounts for its various activities in one fund, the General Fund. The General Fund accounts for all financial resources used to provide library services.

#### Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. The statements also present a schedule reconciling these amounts to the modified accrual based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

#### Specific Balances and Transactions

**Cash and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Prepaid Items** - 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.

**Capital Assets** - Capital assets are defined by the Library as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Due to the significance of the Library's annual acquisition of library books and materials and the shelf life on most materials extending beyond one year, annual acquisitions of books and materials are treated as capitalized assets in order to spread their cost over their estimated useful life. Donated capital assets are recorded at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized.

# Romeo District Library

## Notes to Financial Statements June 30, 2015

### Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

Capital Asset Class	Lives
Buildings and improvements	10 - 50 years
Furnishings	5 - 10 years
Office and computer equipment	3 years
Library collection	5-7 years

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet 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 period and so will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2015, the Library reported deferred outflows of resources related to pensions for the net difference between projected and actual earnings on pension plan investments as well as for payments made to the plan after the measurement date of \$52,952. See the table in Note 7 for information on when amounts related to pensions will be recognized in pension expense.

In addition to liabilities, the statement of net position and/or balance sheet 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 so will not be recognized as an inflow of resources (revenue) until that time. The governmental fund reports unavailable revenues from delinquent property taxes. These amounts are recognized as an inflow of resources in the period in which the amounts become available. At June 30, 2015, the Library reported a deferred inflow of \$4,166 related to delinquent personal property taxes that are unavailable.

#### Net Position Flow Assumption

Sometimes the Library will 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.

# Romeo District Library

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## Notes to Financial Statements June 30, 2015

### Note I - Summary of Significant Accounting Policies (Continued)

#### Fund Balance Flow Assumption

Sometimes the Library will 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

In the fund financial statements, the governmental fund reports the following components of fund balance:

**Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact.

**Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.

**Committed:** Amounts that have been formally set aside by the board of trustees for use for specific purposes. Commitments are made and can be rescinded only via resolution of the board of trustees.

**Assigned:** Amounts for which there is intent to spend resources on specific purposes expressed by the board of trustees.

**Unassigned:** All other amounts, available for any purpose.

The Romeo District Library board has adopted a policy that establishes an assignment of 50 percent of property taxes recognized as revenue in the current year as a set-aside to pay for expenditures incurred during the next fiscal year. Taxes are levied in December. This current assignment of fund balance is approximately \$934,000.

#### Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are due on February 28 and are considered delinquent on March 1 of the following year, at which time a lien on the property is placed and penalties and interest are assessed.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

The Library's 2014 tax is levied and collectible on December 1, 2014 and is recognized as revenue in the year ended June 30, 2015, when the proceeds of the levy are available for the financing of operations.

The 2014 taxable valuation of the Library totaled \$1.6 billion, on which ad valorem taxes levied consisted of 1.1512 mills for operating purposes. This resulted in approximately \$1,840,000 for general operations. This amount is recognized in the financial statements as property tax revenue.

**Pension** - The Library offers a defined benefit pension plan to its employees. The Library records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Romeo District Library Municipal Employees' Retirement System of Michigan Pension Plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Other Postemployment Benefit Costs** - The Library offers retirees a defined contribution plan for retiree healthcare benefits. In the governmental funds and in government-wide statements, OPEB costs are recognized as contributions are made.

**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. For most employees, however, vacation does not accumulate beyond the calendar year. The policy provides for unlimited sick leave accumulation; however, at termination of employment, payment will be made for only 30 days of accumulated sick leave. All vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. The General Fund reports each employee's compensation, and is used to liquidate the obligation.

**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.

# Romeo District Library

## Notes to Financial Statements June 30, 2015

### Note 2 - Change in Accounting

The financial statements for the year ended June 30, 2014 have been restated in order to reflect a change in accounting due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Prior to implementing GASB Statement No. 68, the Library reflected a net pension asset on the government-wide financial statements. The asset of \$576,447 represented the fact that the Library had made annual contributions to the system in excess of the annual required contribution set forth by the actuary. Under GASB Statement No. 68, the Library is now reflecting a liability for the difference between the total pension liability and the value of assets to offset the liability of \$99,819.

The effect of this change is as follows:

Net position - June 30, 2014 - As previously reported	\$ 6,824,911
Adjustment to reduce previously reported net pension asset	(576,447)
Adjustment to record beginning net pension liability	<u>(99,819)</u>
Net position - June 30, 2014 - As restated	<u>\$ 6,148,645</u>

### 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, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which 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.

# Romeo District Library

## Notes to Financial Statements June 30, 2015

### Note 3 - Deposits and Investments (Continued)

The Library has designated two banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Library's deposits and investment policies are in accordance with statutory authority.

The Library's cash and investments are subject to three 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 \$655,497 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 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 year end, the Library had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Negotiable certificates of deposit	\$ 97,649	5.96
Negotiable certificates of deposit	98,502	3.50
Negotiable certificates of deposit	140,098	0.23
Negotiable certificates of deposit	240,279	0.61
Negotiable certificates of deposit	100,103	0.12
Negotiable certificates of deposit	94,957	1.42
Total	<u>\$ 771,588</u>	

# Romeo District Library

## Notes to Financial Statements June 30, 2015

### Note 3 - Deposits and Investments (Continued)

**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. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Money market (2a7 like pool)	\$ 2,026	AAA	S&P
Negotiable certificates of deposit	97,649	A	Fitch
Negotiable certificates of deposit	94,957	BBB-	Fitch
Negotiable certificates of deposit	578,982	Unrated	N/A
Total	<u>\$ 773,614</u>		

### Note 4 - Capital Assets

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

	Balance July 1, 2014	Additions	Disposals	Balance June 30, 2015
Capital assets not being depreciated -				
Land and land improvements	\$ 236,733	\$ -	\$ -	\$ 236,733
Capital assets being depreciated:				
Buildings and improvements	5,042,027	80,528	-	5,122,555
Furnishings	524,718	22,856	-	547,574
Office and computer equipment	269,106	21,483	(1,424)	289,165
Library collection	1,839,451	159,477	-	1,998,928
Subtotal	7,675,302	284,344	(1,424)	7,958,222
Accumulated depreciation:				
Buildings and improvements	1,219,626	108,068	-	1,327,694
Furnishings	511,957	2,790	-	514,747
Office and computer equipment	246,145	10,467	(475)	256,137
Library collection	1,449,512	124,331	-	1,573,843
Subtotal	3,427,240	245,656	(475)	3,672,421
Net capital assets being depreciated	4,248,062	38,688	(949)	4,285,801
Net capital assets	<u>\$ 4,484,795</u>	<u>\$ 38,688</u>	<u>\$ (949)</u>	<u>\$ 4,522,534</u>

# Romeo District Library

## Notes to Financial Statements June 30, 2015

### Note 5 - Long-term Liabilities

Long-term debt activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	<u>\$ 145,985</u>	<u>\$ 116,624</u>	<u>\$ 164,808</u>	<u>\$ 97,801</u>	<u>\$ 86,000</u>

### Note 6 - Risk Management

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

### Note 7 - Agent Defined Benefit Pension Plan Description

**Plan Description** - The Library participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees Retirement System of Michigan (MERS of Michigan) that covers all employees of the Library hired prior to 2002. MERS was established as a statewide public employee pension plan by the Michigan legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report, which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at [www.mersofmichigan.com](http://www.mersofmichigan.com) or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

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

The MERS plan covers both union and nonunion Library employees hired prior to 2002.

Retirement benefits for employees are calculated as 2.5 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 55 with 25 years of service. Vesting period is six years. Employees are eligible for nonduty disability benefits after six 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. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

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.

Benefit terms, within the parameters established by MERS, are generally established and



# Romeo District Library

## Notes to Financial Statements June 30, 2015

### Note 7 - Agent Defined Benefit Pension Plan Description (Continued)

amended by authority of the Library board of trustees, generally after negotiations of these terms with the affected unions.

**Employees Covered by Benefit Terms** - At the December 31, 2014 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	14
Inactive plan members entitled to but not yet receiving benefits	5
Active plan members	<u>10</u>
Total employees covered by MERS	<u><u>29</u></u>

**Contributions** - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended June 30, 2015, the average active employee contribution rate was 3 percent of annual pay and the Library's average contribution rate was 5 percent of annual payroll.

### Net Pension Liability

The net pension liability reported at June 30, 2015 was determined using a measure of the total pension liability and the pension net position as of December 31, 2014. The December 31, 2014 total pension liability was determined by an actuarial valuation performed as of that date.

# Romeo District Library

## Notes to Financial Statements June 30, 2015

### Note 7 - Agent Defined Benefit Pension Plan Description (Continued)

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2013</b>	\$ 2,846,798	\$ 2,743,382	\$ 103,416
Service cost	57,495	-	57,495
Interest	231,333	-	231,333
Contributions - Employer	-	16,788	(16,788)
Contributions - Employee	-	14,379	(14,379)
Net investment income	-	171,758	(171,758)
Benefit payments, including refunds	(143,014)	(143,014)	-
Administrative expenses	-	(6,291)	6,291
Net changes	145,814	53,620	92,194
<b>Balance at December 31, 2014</b>	<u>\$ 2,992,612</u>	<u>\$ 2,797,002</u>	<u>\$ 195,610</u>

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

For the year ended June 30, 2015, the Library recognized pension expense of \$42,836. At June 30, 2015, 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
Net difference between projected and actual earnings on pension plan investments	\$ 39,758	\$ -
Employer contributions to the plan subsequent to the measurement date	13,194	-
Total	<u>\$ 52,952</u>	<u>\$ -</u>

### Note 7 - Agent Defined Benefit Pension Plan Description (Continued)

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, \$13,194, which will not impact pension expense.

Years Ending June 30	Amount
2016	\$ 9,939
2017	9,939
2018	9,939
2019	9,939

**Actuarial Assumptions** - The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 %	
Salary increases	4.5 %	In the long term, 1 percent, 2 percent, and 3 percent for calendar years 2014, 2015, and 2016, respectively, including inflation
Investment rate of return	8.25 %	Net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of the most recent actuarial experience study in 2008. The MERS retirement board is currently conducting an actuarial experience study covering the period from January 1, 2009 through December 31, 2013.

**Discount Rate** - The discount rate used to measure the total pension liability was 8.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

# Romeo District Library

## Notes to Financial Statements June 30, 2015

### Note 7 - Agent Defined Benefit Pension Plan Description (Continued)

#### Projected Cash Flows

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

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, 2014, 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	58	5.0
Global fixed income	20	2.2
Real assets	12	4.2
Diversifying strategies	10	6.6

**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 8.25 percent, as well as what the Library's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.25 percent) or 1 percentage point higher (9.25 percent) than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Net pension liability of the Library	\$ 502,451	\$ 195,610	\$ (68,681)

### **Note 7 - Agent Defined Benefit Pension Plan Description (Continued)**

**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 or resources related to pension and pension expense, information about the Plan's fiduciary net position and addition to/deduction 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 8 - Defined Contribution Pension Plan**

The Library provides pension benefits to all of its full-time employees hired after July 1, 2002 through the Romeo District Library retiree defined contribution plan, which is administered by Municipal Employers Retirement System (MERS). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by the Library board, the Library contributes 8 percent of employees' gross earnings. Employees contribute 2 percent of gross earnings.

The Library's total payroll during the current year was \$1,011,582. The current year contribution was calculated based on covered payroll of \$337,338, resulting in an employer contribution of \$26,987 and employee contributions of \$6,747.

### **Note 9 - Other Postemployment Benefits**

As of June 30, 2014, the Library provides retiree healthcare benefits to eligible employees and their spouses through the Romeo District Library Retiree Defined Contribution Health Care Plan. This is a defined contribution plan administered by the Municipal Employees' Retirement System (MERS). The benefits are provided under collective bargaining agreements. The collective bargaining agreements require the Library to contribute \$70 biweekly for each participating full-time employee in Unit 91 with a hire date on or before June 30, 2012 or transfer from Unit 62 with a hire date on or before June 30, 2012. The collective bargaining agreements require the Library to contribute \$70 biweekly for each participating full-time employee in Unit 62 with a hire date on or before June 30, 2012. For any employee hired after July 1, 2012, the Library is required to contribute \$35 biweekly for each participating full-time employee for both Unit 62 and Unit 91. Any plan members who receive a normal retirement from the Library are then eligible to use the balance in their accounts to fund current medical insurance premiums.

During the year ended June 30, 2015, the Library made contributions of \$768 to the plan.

# Romeo District Library

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## Notes to Financial Statements June 30, 2015

### **Note 10 - Upcoming Accounting Pronouncements**

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The Library is currently evaluating the impact this standard will have on the financial statements when adopted, during the Library's 2016 fiscal year.

## **Required Supplemental Information**

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# Romeo District Library

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget (Unfavorable) Favorable
<b>Revenue</b>				
Property taxes	\$ 1,777,646	\$ 1,778,133	\$ 1,868,703	\$ 90,570
State aid	19,253	19,253	19,930	677
Penal fines	21,294	27,326	27,326	-
Book fines	38,825	38,900	35,884	(3,016)
Interest income	4,700	10,211	8,011	(2,200)
Service fees	8,800	8,800	7,756	(1,044)
Grants	6,700	6,700	10,237	3,537
Gifts and memorials	7,500	7,750	70	(7,680)
Other revenue	3,000	90,000	5,253	(84,747)
Total revenue	<u>1,887,718</u>	<u>1,987,073</u>	<u>1,983,170</u>	<u>(3,903)</u>
<b>Expenditures</b>				
Salaries and wages	998,464	982,412	1,011,582	(29,170)
Employee benefits	251,100	259,392	256,738	2,654
Supplies	33,600	33,600	27,845	5,755
Contracted services	108,981	129,646	133,108	(3,462)
Technology and maintenance	165,727	165,727	120,951	44,776
Utilities	87,050	89,274	80,047	9,227
Public relations	12,000	12,000	9,058	2,942
Other charges	35,050	37,973	25,933	12,040
Library services and materials	48,818	56,318	41,471	14,847
Capital outlay	423,700	423,700	279,893	143,807
Total expenditures	<u>2,164,490</u>	<u>2,190,042</u>	<u>1,986,626</u>	<u>203,416</u>
<b>Net Change in Fund Balance</b>	(276,772)	(202,969)	(3,456)	199,513
<b>Fund Balance - Beginning of year</b>	<u>1,905,488</u>	<u>1,905,488</u>	<u>1,905,488</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 1,628,716</u></u>	<u><u>\$ 1,702,519</u></u>	<u><u>\$ 1,902,032</u></u>	<u><u>\$ 199,513</u></u>



# Romeo District Library

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## Note to Required Supplemental Information Year Ended June 30, 2015

**Budgetary Information** - 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 budget document presents information by function and line item. The legal level of budgetary control adopted by the governing body is the functional level (i.e., the level at which expenditures may not legally exceed appropriations).

The following represents amounts over budget on the functional level:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Salaries and wages	\$ 982,412	\$ 1,011,582	\$ (29,170)
Contracted services	129,646	133,108	(3,462)

The budget variances noted above were due to unanticipated expenditures that were incurred during the year and the budget was not amended to reflect the changes.

# Romeo District Library

## Required Supplemental Information Schedule of Changes in the Library Net Pension Liability and Related Ratios Year Ended June 30, 2015

<b>Total Pension Liability</b>	
Service cost	\$ 57,495
Interest	231,333
Benefit payments, including refunds	<u>(143,014)</u>
Net change in total pension liability	145,814
Total pension liability - Beginning of year	<u>2,846,798</u>
Total pension liability - End of year	<u><b>\$ 2,992,612</b></u>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 16,788
Contributions - Member	14,379
Net investment income	171,758
Administrative expenses	(6,291)
Benefit payments, including refunds	<u>(143,014)</u>
Net change in plan fiduciary net position	53,620
Plan fiduciary net position - Beginning of year	<u>2,743,382</u>
Plan fiduciary net position - End of year	<u><b>\$ 2,797,002</b></u>
<b>Library's Net Pension Liability - Ending</b>	<u><b>\$ 195,610</b></u>
<b>Plan Fiduciary Net Position as a % of Total Pension Liability</b>	93.46 %
<b>Covered Employee Payroll</b>	\$ 245,588
<b>Library's Net Pension Liability as a % of Covered Employee Payroll</b>	79.6 %

# Romeo District Library

## Required Supplemental Information Schedule of Library Contributions Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 30,960	\$ 125,196	\$ 120,465	\$ 119,808	\$ 104,856	\$ 123,204	\$ 149,945	\$ 125,008	\$ 111,816	\$ 98,129
Contributions in relation to the actuarially determined contribution	26,987	6,348	53,253	987,787	107,302	123,204	149,945	125,008	111,816	98,129
Contribution deficiency (excess)	<b>\$ 3,973</b>	<b>\$ 118,848</b>	<b>\$ 67,212</b>	<b>\$ (867,979)</b>	<b>\$ (2,446)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Covered employee payroll	\$ 245,588	\$ 239,556	\$ 235,352	\$ 241,178	\$ 251,986	\$ 296,804	\$ 245,475	\$ 247,538	\$ 354,261	\$ 308,993
Contributions as a percentage of covered employee payroll	11.0 %	2.6 %	22.6 %	409.6 %	42.6 %	41.5 %	61.1 %	50.5 %	31.6 %	31.8 %

### Notes to Schedule of Library Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported. Contributions for the Library's fiscal year ended June 30, 2015 were determined based on the actuarial valuation as of December 31, 2012. The most recent valuation is as of December 31, 2014.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Individual entry age
Amortization method	Level percent of payroll on a closed basis
Remaining amortization period	24 years
Asset valuation method	10-year smoothed market
Inflation	3 percent - 4 percent
Salary increases	4.5 percent in the long term (1 percent, 2 percent, and 3 percent for calendar years 2014, 2015 and 2016, respectively)
Investment rate of return	8.0 percent, net of investment expense, including inflation
Retirement age	Experience-based table of rates are specific to the type of eligibility condition
Mortality	1994 Group Annuity Mortality Table of a 50 percent male and 50 percent female blend