

DETROIT PUBLIC LIBRARY

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

YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Detroit Library Commission
Detroit 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 the Detroit Public Library as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Burton Endowment Fund (a major fund), which represents 8 percent, 13 percent, and 3 percent, respectively, of the assets, net position and revenues of the Library's governmental activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Burton Endowment Fund, is based solely on the report of the other auditors. 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, based on our audit and the report of other auditors, the basic 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 as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Detroit Public Library's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Manes Costerian PC

November 15, 2021

DETROIT PUBLIC LIBRARY MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Detroit Public Library (the Library), we offer readers of the Detroit Public Library's financial statements this narrative overview and analysis of the financial activities of the Detroit Public Library for the fiscal year ended June 30, 2021.

FINANCIAL HIGHLIGHTS

Governmental-wide

- The assets and deferred outflows of the Library exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$41,542,937 (net position). Of this amount, \$5,187,692 (unrestricted net position) may be used to meet the Library's ongoing obligations to citizens and creditors.
- The Library's total net position increased by \$9,339,623.

Fund-level

Governmental Funds

- As of the close of the 2021 fiscal year, the Library's governmental funds reported ending fund balance of \$42,655,192, an increase of \$9,378,789 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$25,792,158 or 118% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Library's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the four reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The *statement of activities* presents information showing how the Library's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

The government-wide financial statements can be found on pages 13 and 14 of this report.

DETROIT PUBLIC LIBRARY MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Library are governmental funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide information to facilitate this comparison between *governmental funds* and *governmental activities*.

The Library maintains six individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, the gifts and grants fund, the O'Brien Trust fund and the Burton Endowment fund, which are considered major funds and the Walus and Biddle Funds, which are considered nonmajor funds.

The Library adopts an annual appropriated budget for its general fund and major special revenue funds. Budgetary comparison schedules have been provided for the general fund and major special revenue funds in the required supplementary information.

The basic governmental fund financial statements can be found on pages 15 through 18 of this report.

Notes to the Financial Statements. The notes provide supplementary information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 43 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Library's progress in funding its obligation to provide retirement benefits to its employees, the general fund budget, and the major special revenue fund budgets on pages 44 through 50 and *additional supplementary information* concerning the Library's nonmajor governmental funds on pages 51 through 53.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the Library, assets and deferred outflows of resources exceeded liabilities and deferred inflow of resources by \$41,542,937 at the close of the most recent fiscal year.

\$22,353,544 of the Library's net position (54%) reflects its investment in capital assets (e.g., library books, furniture and equipment), less any related debt, (none at year end), used to acquire those assets that is still outstanding. The Library uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

**DETROIT PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Detroit Public Library's Net Position

	Governmental Activities	
	2021	2020
ASSETS		
Current assets	\$ 48,088,636	\$ 40,378,978
Capital assets	22,353,544	23,470,287
TOTAL ASSETS	70,442,180	63,849,265
DEFERRED OUTFLOWS OF RESOURCES	10,347,917	6,096,976
LIABILITIES		
Long-term liabilities	17,740,482	7,667,190
Other liabilities	20,010,934	29,581,382
TOTAL LIABILITIES	37,751,416	37,248,572
DEFERRED INFLOWS OF RESOURCES	1,495,744	494,355
NET POSITION		
Investment in capital assets	22,353,544	23,470,287
Restricted	14,001,701	11,924,157
Unrestricted	5,187,692	(3,191,130)
TOTAL NET POSITION	\$ 41,542,937	\$ 32,203,314

The unrestricted net position of \$5,187,692 may be used to meet the Library's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Library is able to report positive balances in all categories of net position for its governmental activities.

The Library's net position increased by \$9,339,623 during the current fiscal year. The majority of the increase can be attributed to increased property tax revenue and increases in investment earnings. There was also a significant decrease in expenses, with the ongoing impact of the COVID-19 pandemic.

**DETROIT PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Governmental Activities. Governmental activities increased the Library's net position by \$9,339,623. Key elements are as follows:

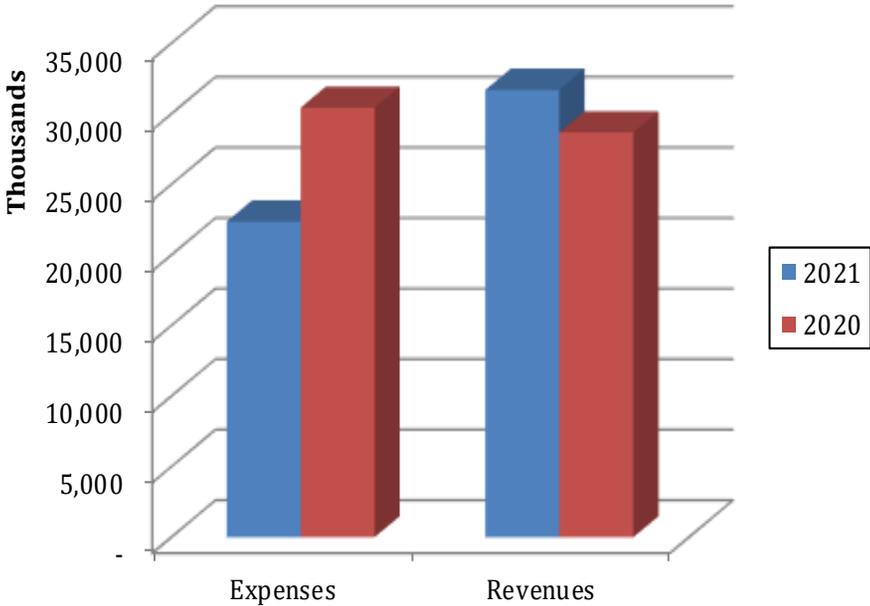
Detroit Public Library's Changes in Net Position

	Governmental Activities	
	2021	2020
REVENUES		
Program revenues		
Charges for services	\$ 33,146	\$ 275,605
Operating grants and contributions	72,994	215,538
General revenues		
Property and other taxes	27,675,181	25,996,377
Penal fines	434,096	442,609
State aid	923,553	850,809
Investment income	2,564,145	885,918
Other	6,402	15,471
TOTAL REVENUES	31,709,517	28,682,327
EXPENSES		
Library services	21,543,497	30,435,599
Interest on long-term debt	419,060	-
Total expenses	21,962,557	30,435,599
Change in net position before special item	9,746,960	(1,753,272)
Special item	(407,337)	-
Net position, beginning of year	32,203,314	33,956,586
Net position, end of year	\$ 41,542,937	\$ 32,203,314

- Overall government activities revenue is up \$3,027,190 from the prior year. The majority of the increase is due to collecting more property tax revenue.
- Governmental expenses decreased \$8,473,042. The decrease can primarily be attributed to a decrease in spending related to the ongoing impact of the COVID-19 pandemic. In October of 2020, the Library reopened seven out of twenty-one branch locations. In conjunction with the Mobile Library, it provided eight service points to Detroit residents. A total of 72 full-time employees remained on furlough during the fiscal year.
- A special item is recorded in the current year related to a loss due to fraud.

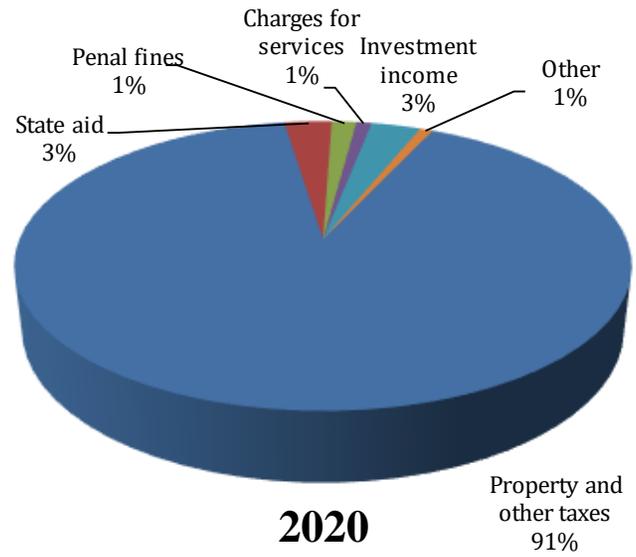
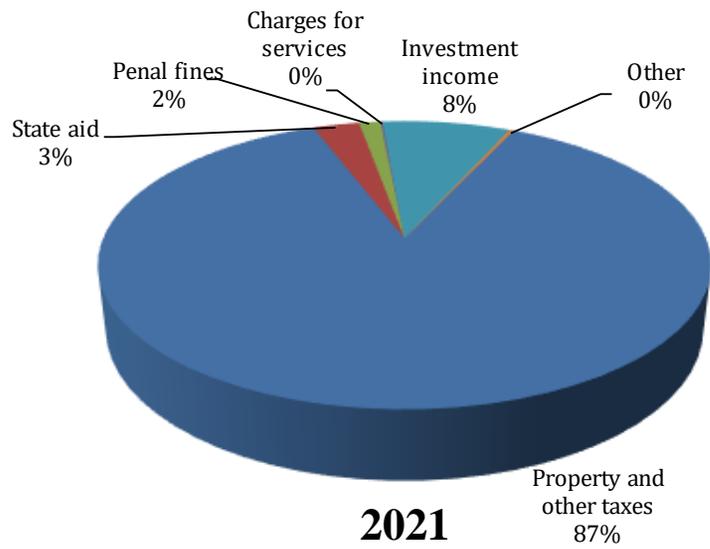
**DETROIT PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Detroit Public Library
EXPENSES AND REVENUES - GOVERNMENTAL ACTIVITIES
JUNE 30,**



**DETROIT PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Detroit Public Library
REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES
JUNE 30,**



DETROIT PUBLIC LIBRARY MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Government's Funds

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Library's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Library's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Library's governmental funds reported combined ending fund balance of \$42,655,192, an increase of \$9,378,789 in comparison with the prior year. Approximately 60% of this total amount (\$25,792,158) constitutes *unassigned fund balance*, which is available for spending at the Library's discretion. The remainder of fund balance is restricted, nonspendable, committed, or assigned to indicate that it is not available for new spending because it has already been committed various items.

The general fund is the chief operating fund of the Library. At the end of the current fiscal year, unassigned fund balance of the general fund was \$25,792,158 while total fund balance was \$26,088,350. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 118% of total general fund expenditures, while total fund balance represents 119% of that same amount.

The fund balance of the Library's general fund increased by \$7,020,557 during fiscal year 2021. A key factor in this increase is as follows:

- Increase in property tax revenue
- Decreased spending because of the ongoing impact of the COVID-19 pandemic

Budgetary Highlights

The Library adopts an annual budget for the General Fund. A budgetary comparison statement has been provided as required supplementary information to demonstrate compliance with this budget.

Taxes were \$2,585,355 less than budgeted for the fiscal year. The primary reason for this was a reduction in State of Michigan Renaissance Zone tax revenue and an increase in tax captures above the budgeted amount. The final actual expenditures were below budgeted expenditures by \$13,332,150, or \$12,924,813 when considering the special item, discussed previously.

Capital Asset and Debt Administration

Capital Assets. The Library's investment in capital assets for its governmental activities as of June 30, 2021, amounts to \$22,353,544 (net of accumulated depreciation). This investment in capital assets includes library books and materials, works of art, machinery and equipment, land, land improvements, and building and building improvements.

Major capital asset events during the current fiscal year included the following:

- Library books and materials
- Building and building improvements

**DETROIT PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Detroit Public Library's Assets
(Net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Buildings and building improvements	\$ 14,709,099	\$ 14,902,242
Land improvements	68,429	77,331
Library books and materials	4,996,048	5,647,197
Vehicles	300,085	306,841
Machinery and equipment	636,387	722,847
Land	1,643,496	1,643,496
Construction in progress	-	170,333
	<u>\$ 22,353,544</u>	<u>23,470,287</u>

Additional information on the Library's capital assets can be found in Note 5 of this report.

Long-term Debt. At the end of the current fiscal year, the Library had total debt outstanding of \$17,688,482. This represents compensated absences earned but not used as of year-end and other outstanding debt. Bonds were issued by the City of Detroit relative to the City's pension plan in 2017. The Library's allocation of the debt was \$10,133,958 at June 30, 2021. The Library came to a settlement with its unions in to make additional payments to the Library's retirees through 2030. The outstanding balance on this settlement was \$4,271,500 at June 30, 2021. Additional information on the Library's long-term debt can be found in Note 6 of this report.

Detroit Public Library's Outstanding Debt

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
City of Detroit (B Notes)	\$ 6,438,711	\$ 6,438,711
City of Detroit (Tendered B Notes)	2,926,988	2,926,988
City of Detroit (C Notes)	768,259	888,649
Retiree Settlement	4,271,500	4,565,000
Compensated absences	3,283,024	3,532,608
Accrued workers compensation	52,000	76,000
Total	<u>\$ 17,740,482</u>	<u>\$ 18,427,956</u>

The Library's total debt decreased by \$663,474 (3.6%) during the current fiscal year.

Economic Factors and Next Year's Budgets and Rates

Detroit Public Library's goal is to maintain and enhance the services that are provided to the public utilizing the most efficient and effective methods. The Library has a conservative and fiscally responsible budget for the fiscal year 2022 that will support the Library's activities and programs.

**DETROIT PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Requests for Information

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Detroit Public Library, 5201 Woodward Avenue, Detroit, MI 48202.

BASIC FINANCIAL STATEMENTS

**DETROIT PUBLIC LIBRARY
STATEMENT OF NET POSITION
JUNE 30, 2021**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 31,207,728
Investments	14,213,337
Taxes receivable	334,105
Prepaid expenses	305,277
Due from other governmental units	2,028,189
Capital assets, not being depreciated	1,643,496
Capital assets, net of accumulated depreciation	20,710,048
TOTAL ASSETS	70,442,180
DEFERRED OUTFLOW OF RESOURCES	
Pension related items	10,347,917
LIABILITIES	
Accounts payable	226,367
Accrued payroll, taxes and withholding	400,769
Accrued liabilities	2,203,110
Due to other governmental units	2,269,093
Net pension liability	14,847,208
Accrued interest payable	64,387
Noncurrent liabilities	
Due within one year	938,394
Due in more than one year	16,802,088
TOTAL LIABILITIES	37,751,416
DEFERRED INFLOWS OF RESOURCES	
Pension related items	1,495,744
NET POSITION	
Investment in capital assets	22,353,544
Restricted for endowment	
Expendable	13,806,701
Nonexpendable	195,000
Unrestricted	5,187,692
TOTAL NET POSITION	\$ 41,542,937

See notes to financial statements.

**DETROIT PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Recreation and culture	\$ 21,543,497	\$ 33,146	\$ 72,994	\$ (21,437,357)
Interest on long-term debt	419,060	-	-	(419,060)
Total governmental activities	<u>\$ 21,962,557</u>	<u>\$ 33,146</u>	<u>\$ 72,994</u>	<u>(21,856,417)</u>
General revenues				
Taxes				
Property taxes, levied for general purposes				26,429,453
Other taxes				1,245,728
Penal fines				434,096
State sources				923,553
Investment income				2,564,145
Other				6,402
Total general revenues				<u>31,603,377</u>
Special item				
Loss due to fraud				<u>(407,337)</u>
Change in net position				9,339,623
Net position, beginning of year				<u>32,203,314</u>
Net position, end of year				<u>\$ 41,542,937</u>

See notes to financial statements.

**DETROIT PUBLIC LIBRARY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	General	Grants and Gifts	O'Brien Trust	Burton Endowment	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 28,430,019	\$ 1,628,148	\$ 472,527	\$ 539,426	\$ 137,608	\$ 31,207,728
Investments	-	3,834,195	4,372,242	4,958,737	1,048,163	14,213,337
Due from other funds	433,289	-	-	-	-	433,289
Due from other governmental units, net	2,028,189	-	-	-	-	2,028,189
Taxes receivable, net	334,105	-	-	-	-	334,105
Prepaid expenditures	296,192	-	-	9,085	-	305,277
TOTAL ASSETS	\$ 31,521,794	\$ 5,462,343	\$ 4,844,769	\$ 5,507,248	\$ 1,185,771	\$ 48,521,925
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 226,367	\$ -	\$ -	\$ -	\$ -	\$ 226,367
Accrued wages	400,769	-	-	-	-	400,769
Accrued liabilities	2,203,110	-	-	-	-	2,203,110
Due to other funds	-	433,289	-	-	-	433,289
Due to other governmental units	2,269,093	-	-	-	-	2,269,093
TOTAL LIABILITIES	5,099,339	433,289	-	-	-	5,532,628
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	334,105	-	-	-	-	334,105
FUND BALANCES						
Nonspendable	296,192	5,000	-	159,085	40,000	500,277
Restricted	-	2,458,913	4,844,769	5,348,163	1,145,771	13,797,616
Assigned - gifts and grants	-	2,565,141	-	-	-	2,565,141
Unassigned	25,792,158	-	-	-	-	25,792,158
TOTAL FUND BALANCES	26,088,350	5,029,054	4,844,769	5,507,248	1,185,771	42,655,192
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 31,521,794	\$ 5,462,343	\$ 4,844,769	\$ 5,507,248	\$ 1,185,771	\$ 48,521,925

See notes to financial statements.

**DETROIT PUBLIC LIBRARY
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Total Fund Balances - Governmental Funds		\$ 42,655,192
<p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>The governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:</p>		
Deferred outflows of resources - related to pension		10,347,917
Deferred inflows of resources - related to pension		(1,495,744)
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Capital assets not being depreciated	\$ 1,643,496	
Capital assets being depreciated, net	<u>20,710,048</u>	
		22,353,544
<p>Revenues not meeting the availability criteria are deferred at the fund level, but recorded as revenue in the full accrual statements.</p>		
		334,105
<p>Long-term liabilities, such as compensated absences, are not due and payable in the current period and are therefore not reported in the funds.</p>		
Accrued interest		(64,387)
Long-term obligations		(14,405,458)
Net pension liability		(14,847,208)
Accrued workers compensation		(52,000)
Compensated absences payable		<u>(3,283,024)</u>
Net Position of Governmental Activities		<u><u>\$ 41,542,937</u></u>

See notes to financial statements.

DETROIT PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	General	Grants and Gifts	O'Brien Trust	Burton Endowment	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Local sources						
Property taxes	\$ 27,834,504	\$ -	\$ -	\$ -	\$ -	\$ 27,834,504
Penal fines	434,096	-	-	-	-	434,096
Interest income	35,445	509,848	654,818	1,084,116	279,918	2,564,145
Library fines	33,146	-	-	-	-	33,146
Other	6,264	25,122	69	69	-	31,524
Total local sources	28,343,455	534,970	654,887	1,084,185	279,918	30,897,415
State sources	971,425	-	-	-	-	971,425
TOTAL REVENUES	29,314,880	534,970	654,887	1,084,185	279,918	31,868,840
EXPENDITURES						
Current						
Recreation and culture	19,289,183	56,372	69,767	69,018	571	19,484,911
Debt service	832,950	-	-	-	-	832,950
Capital outlay	1,764,853	-	-	-	-	1,764,853
TOTAL EXPENDITURES	21,886,986	56,372	69,767	69,018	571	22,082,714
EXCESS OF REVENUES OVER EXPENDITURES	7,427,894	478,598	585,120	1,015,167	279,347	9,786,126
SPECIAL ITEM						
Loss due to fraud	(407,337)	-	-	-	-	(407,337)
Net change in fund balance	7,020,557	478,598	585,120	1,015,167	279,347	9,378,789
FUND BALANCE, beginning of year	19,067,793	4,550,456	4,259,649	4,492,081	906,424	33,276,403
FUND BALANCE, end of year	<u>\$ 26,088,350</u>	<u>\$ 5,029,054</u>	<u>\$ 4,844,769</u>	<u>\$ 5,507,248</u>	<u>\$ 1,185,771</u>	<u>\$ 42,655,192</u>

See notes to financial statements.

**DETROIT PUBLIC LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balances - Total Governmental Funds \$ 9,378,789

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

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	(2,008,203)
Gain/loss on disposal of capital assets	(446,364)
Capital outlay	1,337,824

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities):

Repayment of principal on long-term debt	413,890
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Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Unavailable revenue beginning of the year - property taxes	(493,428)
Unavailable revenue end of the year - property taxes	334,105

Compensated absences are reported on the accrual method in the statement of activities, and reported as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences beginning of the year	3,532,608
Accrued compensated absences end of the year	(3,283,024)

Workers Compensation is reported on the accrual method in the statement of activities, and reported as an expenditure when financial resources are used in the governmental funds:

Accrued workers' compensation payable beginning of the year	76,000
Accrued workers' compensation payable end of the year	(52,000)

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

Pension related items	549,426
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Change in Net Position of Governmental Activities \$ 9,339,623

**DETROIT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Detroit Public Library (the Library) is governed by the Detroit Library Commission, whose members are appointed by the Detroit Board of Education as authorized by Local Act 314 of 1881 (an amendment to Act 233 of 1869, "The Free School Act"). The Detroit Library Commission has six (6) members appointed by the Detroit Board of Education and the President of the Board of Education serves as an *ex-officio* member. Under the authority of Public Act 26 of 1921, the annual budget of the Detroit Library Commission shall be submitted to and passed upon by the Detroit City Council. The Library is considered a component unit of the City of Detroit.

The accounting policies of the Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the Library:

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the Library (primary government). The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity.

Related Organization

The Detroit Library Cooperative (the "Cooperative"), a public library cooperative, was established under the authority of the State Aid to Public Libraries Act 89 of 1977, as amended by PA 30 of 2005. It was organized to (1) extend and improve access to library services and materials for each child, youth, and adult of the Cooperative region appropriate to his or her informational and recreational needs, (2) improve and strengthen resources and services of member libraries, and (3) encourage continued growth and development of library services to the citizens of the State of Michigan. The Cooperative is governed by a Board of Trustees composed of the members of the Detroit Library Commission. The Detroit Public Library is the initial, and currently the only, member of the Cooperative. Membership in the Detroit Library Cooperative is open to any local library meeting the requirements as set forth by the Cooperative and in Public Act 89 of 1977, as amended by Public Act 30 of 2005 and Public Act 288 of 2011.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from the *business-type* activity, which rely to a significant extent on fees and charges for support. Detroit Public Library has no business-type activity.

**DETROIT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. The statement of net position and the statement of activities (the government-wide statements) present information for the primary government as a whole. The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, investment earnings, and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the Library.

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

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the Library's funds. The emphasis of fund financial statements is on major governmental funds. The remaining governmental funds are reported as nonmajor funds. The major individual governmental funds are reported as a separate column in the fund financial statements.

The Library reports the following *major governmental funds*:

General Fund - The General Fund is the general operating fund of the Library. It is used to account for all financial resources not accounted for in other funds. General Fund activities are financed by revenue from general property taxes, penal fines, and other sources.

Grants and Gifts Fund - The Grants and Gifts Fund is a special revenue fund by which the Library accounts for all of its restricted funds not required to have a separate fund of its own. The Grants and Gifts Fund activities are financed by grants and contributions provided by patrons of the Library.

O'Brien Trust Fund - The O'Brien Trust Fund is a special revenue fund by which the Library accounts for the restricted funds conveyed in trust for the development of Library staff.

Burton Endowment Fund - The Burton Endowment Fund is a permanent fund and is used to account for the purchase of books, papers, pamphlets and other forms of historical data, which are suitable for the Burton Historical Collection located in the Detroit Public Library. The Burton Endowment Fund's resources are legally restricted by the terms of the endowment agreement.

Additionally, the government reports the following two *nonmajor funds*; the Walus Endowment and Biddle Endowment Funds are both permanent funds whose resources are legally restricted by the terms of their endowment agreement.

**DETROIT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

During the course of operations, the Library has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Measurement Focus and Basis of Accounting

The government-wide financial statements (the statement of net position and statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues 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 (the balance sheet and statement of revenue, expenditures, and changes in fund balances) are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences, claims, and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds.

If/when both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resources as they are needed.

**DETROIT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special funds. The appropriate budget is prepared by fund and function. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level.

Appropriations in the budgeted fund lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The Library does not utilize encumbrance accounting.

The budget was amended during the year with supplemental appropriations. The budget was amended prior to June 30, 2021. The Library does not consider the amendments to be significant. Violations, if any, are noted in the required supplementary information sections.

The Library employs the following procedures in establishing the budgetary data:

- a. The Library's administration prepares budgetary estimates for consideration by the Detroit Library Commission.
- b. In December of the preceding fiscal year, the Detroit Library Commission transmits budgetary estimates to the City of Detroit's Budget Director.
- c. The City's Budget Director compiles budgetary estimates from all City departments for transmission to the Mayor of the City of Detroit in February of the preceding fiscal year for consideration and revision if deemed necessary.
- d. The Budget Director re-tabulates the budget as revised by the Mayor and transmits the revised budget to the Detroit City Council in April of the preceding fiscal year.
- e. The Detroit City Council reviews and approves the Library's budgets at the functional level and encompasses the budget within the City's budget.
- f. Prior to July 1, the budget is legally enacted through action by the Detroit Library Commission.

DETROIT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash, Cash Equivalents, and Investments

The Library's cash consists of money market checking and savings accounts. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Library's cash equivalents and investments. Cash equivalents consist of temporary investments in certificates of deposit, money markets, and investment trust funds with an original maturity of 90 days or less. The investment trust funds have the general characteristics of demand deposit accounts in that the Library may deposit and withdraw additional cash at any time without prior notice or penalty.

Investments consist of certificates of deposit, municipal and corporate bonds, stocks, mutual funds, and investment pools with an original maturity of over 90 days. Investments are stated at fair value.

In accordance with Michigan Compiled Laws, the Library is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

**DETROIT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Cash, Cash Equivalents, and Investments (continued)

With respect to the endowments held by the Detroit Public Library, deposits and investments are made in accordance with the Uniform Prudent Management of Institutional Funds Act, Public Act 87 of 2009. In addition to an investment otherwise authorized by law or by the endowment agreements, the Detroit Library Commission, subject to specific limitations set forth in the endowment agreements, may:

- a. Invest and reinvest the Fund (i.e. endowment funds) in real or personal property deemed advisable by the governing board, whether or not it produces a current return, including mortgages, stocks, bonds, debentures, and other securities of profit or nonprofit corporations, shares in or obligations of associations, partnerships, or individuals, and obligations of any government, or subdivision, or instrumentality thereof.
- b. Retain property contributed by a donor to the Fund for as long as the governing board deems advisable.
- c. Include all or any part of the Fund in a pooled or common fund maintained by the institution.
- d. Invest all or any part of the Fund in any other pooled or common fund available for investment, including shares or interest in regulated investment companies, mutual funds, common trust funds, investment partnerships, real estate investment trusts, or similar organizations in which funds are commingled and investment determinations are made by persons other than the governing board.

Prepaid Expenses/Expenditures

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses/expenditures in both government-wide and fund financial statements.

Receivables

Receivables consist of property taxes, interest, and other amounts due from other funds, organizations, or governmental units. Receivables are reported net of amounts deemed uncollectible.

Property Taxes

As a component unit of the City of Detroit, the Library's property taxes are levied and collected by the City on behalf of the Library. The City's property tax is levied each July 1 of the fiscal year and is payable without penalty either on or before August 31, in full or one-half on or before August 15, with the balance then being payable on or before the following January 15. Property taxes attach as a lien on the property as of July 1 of the year of levy. The Library records property tax revenue when available. Available is defined as due and receivable within the current fiscal year and collected within the current fiscal year or expected to be collected within 60 days thereafter. The City is permitted to levy up to \$4.6307 per \$1,000 of assessed valuation for Library operations. For the year ended June 30, 2021, the City levied 4.6307 mills for Library operations. The total taxable value for the 2020 levy for the property within the City was \$6,006,998,424.

**DETROIT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Capital Assets

Capital assets, which include machinery, equipment, land, land improvements, library materials and rare materials (including works of art and historical treasures) and library books, are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. The total of books purchased during the year are capitalized and are depreciated over five years. The Library has elected not to capitalize rare books. Fully depreciated books are removed from the asset schedule. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition cost on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Assets	Years
Buildings and building improvements	20 - 50
Land improvements	20
Works of art	10 - 20
Machinery and equipment	5 - 20
Vehicles	5 - 8
Collections	5

Long-Term Obligations

Long-term debt and other long-term obligations are recognized as liabilities in the government-wide financial statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only the portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

DETROIT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Compensated Absences

In accordance with the Library personnel policies, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested vacation and sick leave earned as of June 30, 2021, including related payroll taxes, is recorded in the government-wide financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Library has one item that qualifies for reporting in this category. It is the pension related items reported in the government-wide statement of net position. A deferred outflow is recognized for pension related items and is expensed in the plan year in which it applies.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position/fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Library has two items that qualify for reporting in this category. The first relates to property taxes. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is the future resources yet to be recognized in relation to the pension accrual calculation and are reported in the government-wide statement of net position. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary.

Pension

The Library offers pension benefits to retirees. The Library records a net pension liability for the difference between the total pension liability calculated by actuary and the pension plan's fiduciary net position. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

DETROIT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Net Position Flow Assumption

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Library itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

For assigned fund balance, the Library Commission is authorized to assign amounts to a specific purpose. The authorization policy is a full vote and approval by the Library Commission.

For the classification of fund balance amounts, the Library's policy is to spend restricted amounts first, then unrestricted amounts when both restricted and unrestricted amounts are available. Similarly, the Library's policy is to spend committed amounts first, then assigned amounts, and finally unassigned amounts when any of those unrestricted fund balance classifications could be used.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**DETROIT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2021, the Library had deposits and investments subject to the following risk:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. As of June 30, 2021, \$29,942,698 of the Library's bank balance of \$30,403,272 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$31,207,728.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Library will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Library will do business.

Interest Rate Risk

In accordance with its investment policy, the Library will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing obligations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Library's cash requirements.

Investment type	Fair Value	Weighted average maturity (years)
Equity securities	\$ 5,968,339	N/A
Equity mutual funds	2,385,086	N/A
Fixed income mutual funds	3,630,848	N/A
Corporate bonds	2,229,064	1.77
Total fair value	\$ 14,213,337	
Portfolio weighted average maturity		1.77

1 day maturity equals approximately .0027 years.

**DETROIT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

The Uniform Prudent Management of Institutional Funds Act does not limit investments of the endowment funds to certain credit ratings issued by nationally recognized statistical rating organizations. The Detroit Public Library has adopted a policy that indicates the Library's investment goals and objectives.

Investment type	Fair Value	Rating				Unrated	Rating Agency
		Aaa	Aa1-3	A1-3	Baa1 and Below		
Corporate bonds	\$ 2,229,064	\$ 54,566	\$ 405,467	\$ 339,263	\$ 444,571	\$ 985,197	Moody's

Concentration of Credit Risk

The Library will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Library's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Foreign Currency Risk

The Library is not authorized to invest in investments which have this type of risk.

Fair Value Measurement

The Library is required to disclose amounts within a framework established for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted process in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

**DETROIT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement (continued)

	Fair Value		
	Level 1	Level 2	Total
Equity securities	\$ 5,968,339	\$ -	\$ 5,968,339
Equity mutual funds	2,385,086	-	2,385,086
Fixed income mutual funds	3,630,848	-	3,630,848
Corporate bonds	-	2,229,064	2,229,064
	<u>\$ 11,984,273</u>	<u>\$ 2,229,064</u>	<u>\$ 14,213,337</u>

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Investments that are measured at fair value using net asset per value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

Assets held by the Library:

Equity and Fixed Income Mutual Funds: Valued at the daily closing price, as reported by the fund. The mutual funds held by the Library are deemed to be actively traded.

Corporate Bonds: The Library's bond pricing is based on information gathered from market sources, integrate relative credit, observed market movement and various models. They are priced on a daily basis.

Equity Securities: Valued at the price reported on the active market on which the individual securities are traded.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2021, including the applicable allowance for uncollectible accounts, were as follows:

Receivables	General Fund
Taxes	\$ 3,881,367
Less: Allowances for uncollectible amounts	(3,547,262)
Total receivables, net	\$ 334,105

**DETROIT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - RECEIVABLES (continued)

Amounts due from other governmental units as of June 30, 2021, including the applicable allowance for uncollectible accounts, were as follows:

Due from Other Governmental Units	General Fund
City of Detroit	\$ 9,210,632
Wayne County	443,377
State of Michigan	1,578,408
Gross amounts due from other governmental units	11,232,417
Less: Allowances for uncollectible amounts	(9,204,228)
Total due from other governmental units, net	\$ 2,028,189

Based on the City of Detroit's determination that the Library's property tax revenues had not been appropriately adjusted over an eight (8) year period, the Library's management has recorded an allowance for uncollectible amounts from other governmental units. If it is determined that the amount due from the City of Detroit is ultimately collectible, the Library will record revenue at the time of collection.

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2021 is as follows:

Receivable Fund	Amount	Payable Fund	Amount
General Fund	\$ 433,289	Gifts and Grants Fund	\$ 433,289

The outstanding balances between funds result from cash payments and receipts being made to the Gifts and Grants Fund and owed to the General Fund. The funds expect to collect or pay out, as applicable, in the subsequent year.

**DETROIT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - CAPITAL ASSETS

The capital assets for the year ended June 30, 2021 were as follows:

	Balance July 1, 2020	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2021
Primary government				
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,643,496	\$ -	\$ -	\$ 1,643,496
Construction in progress	170,333	-	170,333	-
Total capital assets, not being depreciated	<u>1,813,829</u>	<u>-</u>	<u>170,333</u>	<u>1,643,496</u>
Capital assets being depreciated				
Buildings and building improvements	40,815,225	1,194,142	487,794	41,521,573
Land improvements	349,915	-	-	349,915
Library books and materials	144,364,524	314,015	-	144,678,539
Vehicles	742,165	-	-	742,165
Machinery and equipment	3,536,313	-	-	3,536,313
Works of art	19,875,435	-	-	19,875,435
Total capital assets, being depreciated	<u>209,683,577</u>	<u>1,508,157</u>	<u>487,794</u>	<u>210,703,940</u>
Less accumulated depreciation for				
Buildings and building improvements	25,912,983	899,491	-	26,812,474
Land improvements	272,584	8,902	-	281,486
Library books and materials	138,717,327	965,164	-	139,682,491
Vehicles	435,324	6,756	-	442,080
Machinery and equipment	2,813,466	127,890	41,430	2,899,926
Works of art	19,875,435	-	-	19,875,435
Total accumulated depreciation	<u>188,027,119</u>	<u>2,008,203</u>	<u>41,430</u>	<u>189,993,892</u>
Total capital assets, being depreciated, net	<u>21,656,458</u>	<u>(500,046)</u>	<u>446,364</u>	<u>20,710,048</u>
Total governmental activities, capital assets, net	<u>\$ 23,470,287</u>	<u>\$ (500,046)</u>	<u>\$ 616,697</u>	<u>\$ 22,353,544</u>

Depreciation expense amounted to \$2,008,203.

**DETROIT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
City of Detroit (B Notes)	\$ 6,438,711	\$ -	\$ -	\$ 6,438,711	\$ -
City of Detroit (Tendered B Notes)	2,926,988	-	-	2,926,988	-
City of Detroit (C Notes)	888,649	-	(120,390)	768,259	126,410
Retiree Settlement	4,565,000	-	(293,500)	4,271,500	293,000
Compensated absences	3,532,608	-	(249,584)	3,283,024	496,984
Accrued workers compensation	76,000	-	(24,000)	52,000	22,000
	<u>\$ 18,427,956</u>	<u>\$ -</u>	<u>\$ (687,474)</u>	<u>\$ 17,740,482</u>	<u>\$ 938,394</u>

As part of the City of Detroit's Plan of Adjustment, the City issued two debt issues, the B notes and the C notes. Because these debt issues related to the pension obligation certificates and the pension plan, which the City was a part of, the City has allocated a portion of this debt to the Library, as well as other Agencies that were part of the same plans.

In December 2018 the City issued its \$175,985,000 Distributable State Aid Fifth Lien Financial Recovery Refunding Bonds for the purpose of purchasing a portion of its Financial Recovery Bonds, Series 2014B(1) and 2014B(2). The Library's allocated portion of this transaction is detailed in the tables within this footnote.

The above listed notes are obligations of the City of Detroit. The City, in return, allocates a portion of this debt to the Library. As this is not a direct borrowing or direct placement of the Library, there are no terms specified in the debt-agreements related to significant 1) events of default with finance-related consequences, 2) termination events with finance-related consequences or 3) subjective acceleration clauses that are applicable to the Library directly. The Library also has no assets pledged as collateral for this debt. Additionally, the Library has no unused or available line of credit at June 30, 2021.

The Library came to a settlement with its unions to make additional payments to the Library's retirees through 2030. The annual payout is based on the number of eligible retirees as of December 31 each year. Annual payments are expected to range between approximately \$300,000 to \$450,000.

**DETROIT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Annual debt service requirements to maturity for the above City of Detroit notes are as follows:

B Notes - Allocated			
Year	Principal	Interest	Total
2022	\$ -	\$ 257,548	\$ 257,548
2023	-	257,548	257,548
2024	-	257,548	257,548
2025	35,947	257,548	293,495
2026	33,649	256,111	289,760
2027-2031	468,210	1,262,088	1,730,298
2032-2036	2,154,626	1,197,261	3,351,887
2037-2041	2,341,425	842,913	3,184,338
2042-2044	1,404,854	168,583	1,573,437
	\$ 6,438,711	\$ 4,757,148	\$ 11,195,859
Tendered B-1, B-2 and C-Notes			
Year	Principal	Interest	Total
2022	\$ 126,410	\$ 155,492	\$ 281,902
2023	132,730	149,172	281,902
2024	139,367	142,535	281,902
2025	578,673	135,567	714,240
2026	588,287	110,957	699,244
2027-2031	1,942,981	239,913	2,182,894
2032-2033	186,799	10,914	197,713
	\$ 3,695,247	\$ 944,550	\$ 4,639,797

NOTE 7 - PENSION PLANS

Defined Benefit Plan

Plan Description

The City of Detroit Retirement System consists of the General Retirement System (GRS) and the Police and Fire Retirement System (PFRS) (collectively, the "Systems"). The GRS provides retirement benefits to employees of the Detroit Public Library. Each system is a single employer plan composed of a Defined Benefit Plan and a Defined Contribution Annuity Plan. The plans provide retirement, disability, and survivor benefits to plan members and beneficiaries. Each plan is administered by its own board of trustees. Plan members include active employees, retirees, and beneficiaries from various departments within the City. Benefit terms have been established by contractual agreements between the City and the employees' collective bargaining units; amendments are subject to the same process.

**DETROIT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION PLANS (continued)

Defined Benefit Plan (continued)

Plan Description (continued)

The Systems issue publicly available financial reports that include financial statements and the required supplementary information. The reports can be obtained from City of Detroit Retirement Systems, One Detroit Center, 500 Woodward Ave., Suite 3000, Detroit, MI 48226 or obtained from the Systems' website (www.rscd.org). Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report. The pension plan's fiduciary net position has been determined on the same basis used by the pension 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.

The City filed for bankruptcy in June 2013 and subsequently exited bankruptcy on December 10, 2014. This resulted in the adoption of the Eighth Amended Plan for Adjustment of Debts of the City of Detroit (the "POA"). Under the provisions of the POA, effective July 1, 2014 the "Combined Plan for the Police and Fire Retirement System of the City of Detroit" and the "Combined Plan for General Employees Retirement System of the City of Detroit" were introduced.

As a result of negotiations between the City and the public employee unions, the existing plan benefit formulas were frozen and no employees were allowed to earn further benefits under the existing plans after June 30, 2014. The Emergency Manager issued Orders #29 and 30 (Police and Fire Retirement Systems of the City of Detroit and General Employees Retirement System of the City of Detroit) on June 30, 2014 which put these changes into effect. This Plan in existence as of June 30, 2014 is known as the "legacy plan" or "Component II".

As of July 1, 2014, all eligible employees began participating in the new hybrid pension plan, or Component I. Eligible City employees will receive the benefits they have earned under the legacy Component II plan for services performed through June 30, 2014 plus an additional benefit under the new hybrid plan formula, for services after June 30, 2014.

Benefits Provided

Component II - This is the legacy plan which is the original defined benefit plan, which includes a defined benefit component and a defined contribution component. Component II generally applies to benefits accrued by Members prior to July 1, 2014. The plan provides retirement, disability, and survivor benefits to plan members and beneficiaries. Except as specifically provided in Combined Plan, benefits provided under Component II are frozen effective June 30, 2014. Component II also includes the Income Stabilization Fund. The fund, which is a part of Component II only established as a special plan of adjustment provision, was established for the sole purpose of paying the Income Stabilization Benefits and Income Stabilization Benefits plus to Eligible Pensioners.

Component I - This is considered a "Hybrid" plan because it includes a defined benefit component and a defined contribution component. Component I of the Plan Document applies to benefits accrued by Members on and after July 1, 2014 and to operation of the Police and Fire Retirement System of the City of Detroit on and after July 1, 2014. The plan provides retirement, disability, and survivor benefits to plan members and beneficiaries.

**DETROIT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION PLANS (continued)

Employees Covered by Benefit Terms - At the June 30, 2020 valuation date, the following employees were covered by the benefit terms:

	Component II GRS	Component I GRS
Inactive employees or beneficiaries currently receiving benefits	11,557	314
Inactive employees entitled to but not yet receiving benefits	2,779	961
Active employees	2,793	5,794
	17,129	7,069

As of June 30, 2014, Component II of the plans has been frozen. As of that date, no new participants were allowed to enter the plan and no new benefit accruals were allowed for existing participants.

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, in the past, the System had retained an independent actuary to determine the annual contribution. The actuarially determined rate was 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. However, until 2024, annual contributions are based on specific provisions in accordance with the Plan of Adjustment.

Employer Contributions: GRS: During fiscal year 2021, employer contributions were determined by the provisions of the POA detailed under exhibit II.B.3.r.ii.A.

Employee Contributions: Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the City Charter, union contracts, and plan provisions. For the year ended June 30, 2020, there were no employee contributions into Component II, as the plan was frozen as of June 30, 2014. Effectively, employee contributions were allowed only until August 1, 2014.

Contributions into Component I began with the members' first payroll date occurring in August 2014. With respect to GRS Component I, nonuniformed employees who are members of GRS are now required to make mandatory contributions of 4 percent of pay toward their defined benefit. Additionally, employees can make voluntary contributions of 3, 5, or 7 percent of annual pay. During fiscal year 2021, the GRS Component I plan received mandatory and voluntary employee contributions of \$587,856.

Net Pension Liability - The employer's net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

**DETROIT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION PLANS (continued)

Actuarial Assumptions - The total pension liability in the June 30, 2020, annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.25%

Salary Increases: 2.0% - 3.0% in the long-term

Investment Rate of Return: 7.06%, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.25% long-term wage inflation assumption would be consistent with a price inflation of 3% - 4%.

The mortality table used to measure retired life mortality was 100% of the RP-2014 Blue Collar Annuitant Table set-forward 1 year for males and 100% of the RP-2014 Blue Collar Annuitant Table set-forward 1 year for females. Tables were extended below age 50 with a cubic spline to the published Juvenile rates. Pre-retirement mortality is based on the corresponding Employee tables. The tables are projected to be fully generational, based on the 2-dimensional, sex distinct mortality improvement scale MP-2014 (which was published and intended to be used with RP-2014). For disabled members, the same tables are used. The rationale for the mortality assumption is provided in the 2008-2013 Mortality Experience Study issued February 4, 2015.

All demographic assumptions are estimates of future experience except as noted. The rationale for the assumptions is based on the 2002-2007 experience study of the Component II plan unless noted otherwise. The City of Detroit has elected to defer the next experience study until the five-year period of experience after the City's bankruptcy from July 1, 2015 through June 30, 2020 in order to avoid any distortions during the bankruptcy.

The long-term expected rate of return on pension 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 investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	37%	6.37%
Global Fixed Income	27%	3.02%
Private Equity	8%	10.57%
Hedge Funds	5%	3.69%
Real Estate/Real Assets	15%	5.39%
Diversifying Strategies	8%	2.38%
Total	<u>100%</u>	

**DETROIT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION PLANS (continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.06% percent for both Systems. The projection of cash flows used to determine the discount rate assumed that employee contributions will cease as of June 30, 2014 and that Library contributions will be made at rates equal to those set by the final Plan of Adjustment through June 30, 2023 and a 30-year closed level dollar amortization thereafter. 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.

Change in assumptions - The change in assumptions since the prior valuation consist of the following:

Inflation: lowered from 2.50% to 2.25%

Investment rate of return: lowered from 7.38% to 7.06%, net of administrative expense

Discount rate: reduced from 7.38% to 7.06%

Changes in Net Pension Liability

	Component II		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2019	\$ 92,728,046	\$ 80,884,250	\$ 11,843,796
Changes for the year			
Service cost	6,585,373	-	6,585,373
Difference between expected and actual experience	(3,827,052)	-	(3,827,052)
Changes of assumptions	2,130,947	-	2,130,947
Employer contributions	-	2,500,000	(2,500,000)
Net investment income (loss)	-	(430,679)	430,679
Benefit payments including employee refunds	(6,990,690)	(6,990,690)	-
Administrative expense	-	(105,720)	105,720
Other changes	-	145,983	(145,983)
Net changes	(2,101,422)	(4,881,106)	2,779,684
Balances as of 6/30/2020	\$ 90,626,624	\$ 76,003,144	\$ 14,623,480
	Component I		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2019	\$ 6,395,104	\$ 6,091,818	\$ 303,286
Changes for the year			
Service cost	1,259,055	-	1,259,055
Interest on total pension liability	513,706	-	513,706
Difference between expected and actual experience	(1,316,683)	-	(1,316,683)
Changes of assumptions	282,528	-	282,528
Employer contributions	-	402,906	(402,906)
Employee contributions	-	587,856	(587,856)
Net investment income (loss)	-	(158,436)	158,436
Benefit payments including employee refunds	(57,149)	(57,149)	-
Administrative expense	-	(72,039)	72,039
Other changes	-	57,877	(57,877)
Net changes	681,457	761,015	(79,558)
Balances as of 6/30/2020	\$ 7,076,561	\$ 6,852,833	\$ 223,728

**DETROIT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION PLANS (continued)

Changes in Net Pension Liability (continued)

Sensitivity in the Discount Rate - The following presents the net pension liability of the employer, calculated using the discount rate of 7.06%, as well as what the employer's net pension liability would be using a discount rate that is 1% lower (6.06%) or 1% higher (8.06%) than the current rate.

	1% Decrease	Current Discount	1% increase
Net pension liability of the Library	\$ 18,010,915	\$ 14,847,208	\$ 11,717,923

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

For the year ended June 30, 2021 the employer recognized pension expense of \$2,325,172. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 117,717	\$ 1,302,265
Differences in assumptions	362,065	193,479
Excess (deficit) investment returns	6,993,537	-
Contributions to the plan subsequent to the measurement date*	2,874,598	-
	\$ 10,347,917	\$ 1,495,744

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending 2022.

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

Year Ending June 30,	
2022	\$ 1,200,987
2023	1,799,057
2024	2,001,936
2025	1,200,143
2026	(142,622)
Thereafter	(81,926)
	\$ 5,977,575

**DETROIT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RESTRICTED NET POSITION

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source preclude their use for unrestricted purposes. The following are the net position restrictions as of June 30, 2021 for the Library:

	<u>Expendable</u>	<u>Nonexpendable</u>	<u>Total</u>
Burton Historical Collection	\$ 5,357,248	\$ 150,000	\$ 5,507,248
Poland & Polish-American Society Material	75,232	30,000	105,232
Medical science	1,070,539	10,000	1,080,539
Books	38,861	-	38,861
Branch operations and upgrades	385,796	-	385,796
Dennis Archer archive	36,275	-	36,275
National Automotive Historical Collection	65,049	-	65,049
TIP Database	800,429	-	800,429
Youth	321,384	-	321,384
Other purposes	56,013	-	56,013
Senior Citizens	27,346	-	27,346
Staff development	4,844,769	-	4,844,769
Ernie Harwell Collection	31,127	-	31,127
Support Burton Historical Collection	696,633	5,000	701,633
	<u>\$ 13,806,701</u>	<u>\$ 195,000</u>	<u>\$ 14,001,701</u>

NOTE 9 - DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Commission, Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

**DETROIT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - DETAILS OF FUND BALANCE CLASSIFICATIONS (continued)

The Library's fund balance classifications as of June 30, 2021 were as follows:

	General Fund	Grants and Gifts Fund	O'Brien Trust Fund	Burton Endowment Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances						
Nonspendable:						
Prepays	\$ 296,192	\$ -	\$ -	\$ 9,085	\$ -	\$ 305,277
Endowment purposes	-	5,000	-	150,000	40,000	195,000
Restricted for:						
Purchase books, papers, pamphlets, genealogy and historical data for the Burton Endowment Fund (Valuable Historical Data)	-	-	-	5,348,163	-	5,348,163
Staff development	-	-	4,844,769	-	-	4,844,769
Medical science	-	-	-	-	1,070,539	1,070,539
Poland & Polish-American society material	-	-	-	-	75,232	75,232
Books	-	38,861	-	-	-	38,861
Branch operations and upgrades	-	385,796	-	-	-	385,796
Dennis Archer archive	-	36,275	-	-	-	36,275
Ernie Harwell Collection	-	31,127	-	-	-	31,127
National Automotive Historical Collection	-	65,049	-	-	-	65,049
Senior Citizens	-	27,346	-	-	-	27,346
Support Burton Historical Collection	-	696,633	-	-	-	696,633
TIP Database	-	800,429	-	-	-	800,429
Youth	-	321,384	-	-	-	321,384
Other purposes	-	56,013	-	-	-	56,013
Assigned to:						
Library operations	-	2,565,141	-	-	-	2,565,141
Unassigned	25,792,158	-	-	-	-	25,792,158
TOTAL FUND BALANCES	<u>\$ 26,088,350</u>	<u>\$ 5,029,054</u>	<u>\$ 4,844,769</u>	<u>\$ 5,507,248</u>	<u>\$ 1,185,771</u>	<u>\$ 42,655,192</u>

NOTE 10 - COMMITMENTS AND CONTINGENCIES

There are various legal actions pending against the Library. Due to the inconclusive nature of the actions, it is not possible for legal counsel to determine the probable outcome or a reasonable estimate of the potential liability, if any. Management does not believe the outcome would have a material impact on the financial statements.

**DETROIT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - TAX ABATEMENTS

The City of Detroit enters into various agreements with taxpayers to promote the economic development or social welfare within the City. Such abatements impact the property tax revenue recognized by the Library. Below is a summary of those programs and the estimated amount of taxes abated during the most recent year:

<u>Program Description</u>	<u>Legislation</u>	<u>Performance by Taxpayer</u>	<u>Library Taxes Abated</u>
Brownfield Redevelopment Authority (BRA) provides local governmental units ways to enhance local economic development capacities and market difficult sites based on private investment incentives. Taxpayers are reimbursed eligible costs related to environmental cleanup. Reimbursement amount is limited to the property taxes collected on related property in any given year.	Act 381 of 1996	Redevelopment of commercial property	\$ 410,581
Industrial Facilities Tax (IFT) provides a tax incentive to manufacturers for renovation and expansion of aging facilities, building of new facilities, and the establishment of high-tech facilities. Exemptions allow businesses to be taxed at 50 percent of the usual property tax rates (for rehabilitation properties, the taxable value is instead frozen at the previous level and full tax rates are applied).	Act 198 of 1974	(Re)development of facility and creation of jobs	68,980
Commercial Rehabilitation Act (CRA) provides tax incentive for the rehabilitation of vacant/aging commercial property for the primary purpose and use as a commercial business or multifamily residential facility. Exemptions are approved for a term of 1-10 years by the local governmental unit. Restoration property taxes are based on the taxable value frozen in the year prior to rehabilitation for the duration.	Act 210 of 2005	Rehabilitation of qualified facility	493,875
Commercial Redevelopment Act (CFT) encourages the replacement, restoration, and new construction of real commercial property. Exemptions are approved for a term of 1-12 years by the local governmental unit. Restoration property taxes are based on the taxable value frozen in the year prior to rehabilitation for the duration.	Act 255 of 1978	Redevelopment of commercial property	43,632
Renaissance Zone Act (RZ) provides tax incentives to individuals and businesses to encourage economic stability and development within designated urban areas. Properties are exempt from city income and utility user tax, most city and county property taxes (except debt), and state income tax.	Act 376 of 1996	To qualify, taxpayer must not be delinquent in any state or local taxes abated by RZ law and file annual MI and city income tax returns	1,269,053
Obsolete Property Rehabilitation Act (OPRA) provides tax incentives to encourage redevelopment of obsolete/blighted buildings. Property taxes are based on the taxable value frozen in the year prior to redevelopment for the duration. (State treasurer can exempt one-half of the school mileage for up to six years on 25 projects per year).	Act 146 of 2000	Redevelopment of obsolete and blighted buildings	347,281

**DETROIT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - TAX ABATEMENTS (continued)

Program Description	Legislation	Performance by Taxpayer	Library Taxes Abated
Neighborhood Enterprise Zone (NEZ) provides for development and rehabilitation of residential housing located within eligible distressed communities. Property tax exemptions are generally approved for a term of 6-15 years by the local governmental unit. Calculation of NEZ special tax depends on the type of facility and date of issuance of the certificate.	Act 147 of 1992	Financial investment in property	\$ 1,014,266
Land Bank Fast Track (LB) enables land banks to acquire, manage, maintain, and repurpose vacant, abandoned, and foreclosed properties. Land banks in Michigan are allowed to receive 50 percent of the specific property tax generated on all properties sold by the land bank for five years after the transfer of the property.	Act 258-263 of 2003	Improvement of property to receive a portion of specific taxes paid	175,955
The New Personal Property Exemption, PA 328 of 1998, (MCL 211.9 f) as amended, affords a 100 percent property tax exemption for specific businesses located within eligible distressed communities. This exemption is for all new personal property placed in a district that has been established by the local unit of government. The local unit of government determines the number of years granted and may grant any number of years for the exemption. Applications are filed, reviewed and approved by the local unit of government but are also subject to review at the state level by the Property Services Division and the state Tax Commission. The State treasurer, with the written concurrence of the president of the Michigan Strategic Fund, is responsible for final approval. Exemptions are not effective until approved by the state treasurer.	Act 328 of 1998, as amended	Meet the 50 percent threshold and submit a one-time exemption affidavit with the Assessor by February 10 in the year the property is first exempt based on the phase-out table	1,435,531
Senior Citizen/Disabled Family Housing exemption applies to HUD Section 202, 235, and 811 approved nonprofit or limited dividend housing facilities with at least eight units. Program allows municipalities to be reimbursed by the MI Dept of Treasury for property tax lost due to the exemption of eligible senior citizen/disabled family housing facilities (except school operating, hold harmless, SET, admin fees, special assessments, penalty/interest fees, other feerelated charges, or utility charges).	Act 78 of 2016 (formerly Act 66 of 2012)	Provide and manage senior citizen and disabled family housing. Responsible for payment of assessments, fees, and charges not paid by MI Dept of Treasury	15,170
The Michigan State Housing Development Authority (MSHDA) enhances economic and community vitality through housing and historic preservation activities. MSDHA provides direct lending to lowincome housing projects with PILOT-based tax abatements. Housing projects pay an annual service charge (equal to a percentage of annual shelter rents or contract rents actually collected by the housing project during the operating year) in lieu of property taxes.	Act 346 of 1966	Provide and manage low-income housing facilities	1,156,499
Total taxes abated			<u>\$ 6,430,823</u>

**DETROIT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - TAX ABATEMENTS (continued)

The programs do not include provisions to recapture taxes for nonperformance. However, the Industrial Facilities Tax abatement program may be eliminated if taxes are not paid timely.

There are no significant abatements made by other governments that reduce the Library's tax revenue. There are no abatements made by the Library.

NOTE 12 - TAX CAPTURES

The City of Detroit enters into various agreements that allow the City to capture taxes from property as it increases in value, with these additional taxes going to various established authorities (Downtown Development Authority, Brownfield Redevelopment Authority, etc.). Such captures impact the property tax revenue recognized by the Library. Below is a summary of those programs and the estimated amount of taxes captured, and thus not received by the Library, during the most recent year:

Capture	Amount
Improvement Fund - Brownfield Redevelopment Authority	\$ 131,715
Improvement Fund - Downtown Development Authority	2,854,553
Improvement Fund - Chrysler Local Development Finance Authority	543,518
Other	17,476
 Total tax captures	 \$ 3,547,262

NOTE 13 - RISK MANAGEMENT

The Library is exposed to various risks of loss for liability, property, employee dishonesty, and employer's liability for which the Library carries commercial insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the three most recent fiscal years.

The Library, through the City of Detroit, is self-insured for workers' compensation losses. Separate analysis of such liabilities is not available for the Library. The Library reimburses the City for all costs incurred related to workers' compensation. The Library has recorded a related liability in the government-wide financial statements.

NOTE 14 - SPECIAL ITEM - LOSS DUE TO FRAUD

In December 2020 and January 2021, wire payments were initiated by the City of Detroit, acting as the Library's fiduciary, that were subsequently discovered to be fraudulent payments. A portion of these payments were recovered by the financial institution, but the amount recorded as a special item, \$407,337, was not. This has therefore been recognized as a special item in the financial statements in the current year.

**DETROIT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 15 - UNCERTAINTIES

The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition and results of operations is uncertain.

On June 25, 2021, a significant storm system came through Michigan, particularly on the eastern side of the state. Over the next few days, a significant amount of rain fell, causing damaging floods throughout the City of Detroit, including the Library. The amount of the damage, and reimbursement from the insurance company, is uncertain at this time and, thus, no amount has been recorded in the financial statements as of June 30, 2021.

NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the Library's 2022 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring 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 the 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, thereby enhancing the relevance and consistency of information about governments' leasing activities.

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Library is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

**DETROIT PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources				
Property taxes	\$ 30,419,859	\$ 30,419,859	\$ 27,834,504	\$ (2,585,355)
Penal fines	563,709	563,709	434,096	(129,613)
Interest income	285,863	285,863	35,445	(250,418)
Library fines	255,321	255,321	33,146	(222,175)
Other	7,211	7,211	6,264	(947)
Total local sources	31,531,963	31,531,963	28,343,455	(3,188,508)
State sources	892,961	892,961	971,425	78,464
TOTAL REVENUES	32,424,924	32,424,924	29,314,880	(3,110,044)
EXPENDITURES				
Current				
Recreation and culture				
Salaries and wages	14,413,930	14,413,930	7,573,326	(6,840,604)
Employee benefits	6,819,210	6,819,210	5,781,348	(1,037,862)
Supplies	265,455	266,455	116,869	(149,586)
Contractual and professional services	3,679,879	3,679,879	2,505,167	(1,174,712)
Repairs and maintenance	524,672	774,672	505,034	(269,638)
Maintenance and utilities	1,797,606	1,797,606	1,466,549	(331,057)
Printing	23,652	23,652	-	(23,652)
Postage	2,102	2,102	1,933	(169)
Marketing	3,352	3,352	7,268	3,916
Insurance	631,733	731,733	633,977	(97,756)
Rent	319,482	319,482	273,327	(46,155)
Telecommunications	439,664	623,664	296,244	(327,420)
Other services and charges	655,956	698,956	128,141	(570,815)
Captured property taxes	2,751,607	1,793,607	-	(1,793,607)
Total recreation and culture	32,328,300	31,948,300	19,289,183	(12,659,117)
Capital outlay	2,187,886	2,437,886	1,764,853	(673,033)
Debt Service				
Principal	-	130,000	120,390	(9,610)
Interest and other charges	620,484	620,484	419,060	(201,424)
Retirees' Payout Agreement MOU	330,000	330,000	293,500	(36,500)
Total debt service	950,484	1,080,484	832,950	(247,534)
TOTAL EXPENDITURES	35,466,670	35,466,670	21,886,986	(13,579,684)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,041,746)	(3,041,746)	7,427,894	10,469,640
SPECIAL ITEM				
Loss due to fraud	-	-	(407,337)	(407,337)
NET CHANGE IN FUND BALANCE	\$ (3,041,746)	\$ (3,041,746)	7,020,557	\$ 10,062,303
FUND BALANCE				
Beginning of year			19,067,793	
End of year			<u>\$ 26,088,350</u>	

**DETROIT PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GIFTS AND GRANTS FUND
YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources				
Interest income	\$ 100,000	\$ 100,000	\$ 509,848	\$ 409,848
Charges for services	75,000	75,000	-	(75,000)
Other	115,000	115,000	25,122	(89,878)
	<u>290,000</u>	<u>290,000</u>	<u>534,970</u>	<u>244,970</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Recreation and culture				
Bank service charges	30,000	30,000	26,808	(3,192)
Library reference materials	50,000	50,000	-	(50,000)
Programs	132,000	132,000	16,221	(115,779)
Supplies	20,000	20,000	4,815	(15,185)
Publications and subscriptions	24,000	24,000	8,528	(15,472)
Training	12,000	12,000	-	(12,000)
Other	22,000	22,000	-	(22,000)
	<u>290,000</u>	<u>290,000</u>	<u>56,372</u>	<u>(233,628)</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	478,598	<u>\$ (478,598)</u>
FUND BALANCE				
Beginning of year			<u>4,550,456</u>	
End of year			<u>\$ 5,029,054</u>	

**DETROIT PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
O'BRIEN TRUST FUND
YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Local sources				
Interest income	\$ 70,000	\$ 70,000	\$ 654,818	\$ 584,818
Other	-	-	69	69
	<u>70,000</u>	<u>70,000</u>	<u>654,887</u>	<u>584,887</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Recreation and culture				
Training	40,000	40,000	38,145	(1,855)
Miscellaneous	-	-	2,620	2,620
Bank service charges	30,000	30,000	29,002	(998)
	<u>70,000</u>	<u>70,000</u>	<u>69,767</u>	<u>(233)</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	585,120	<u>\$ (585,120)</u>
FUND BALANCE				
Beginning of year			<u>4,259,649</u>	
End of year			<u>\$ 4,844,769</u>	

**DETROIT PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY
AND RELATED RATIOS
LAST SIX MEASUREMENT YEARS**

	2020	2019	2018	2017	2016	2015
Total pension liability						
Service cost	\$ 7,844,428	\$ 1,137,928	\$ 1,186,600	\$ 1,224,705	\$ 1,149,733	\$ 1,217,475
Interest	513,706	7,042,324	6,904,605	7,154,773	7,501,592	9,431,011
Changes of benefit terms	-	-	-	-	-	(26,021,842)
Difference between expected and actual experience	(5,143,735)	(182,137)	(1,404,975)	(2,421,249)	(3,656,018)	(5,487,755)
Assumption changes	2,413,475	-	(3,826,387)	2,676,193	3,075,675	(3,437,925)
Benefit payments including employee refunds	(7,047,839)	(7,501,831)	(7,842,297)	(7,107,671)	(7,994,704)	(8,170,146)
Other	-	-	-	-	10,110	-
Net change in total pension liability	(1,419,965)	496,284	(4,982,454)	1,526,751	86,388	(32,469,182)
Total pension liability beginning	99,123,150	98,626,866	103,609,320	102,082,569	101,996,181	134,465,363
Total pension liability ending	<u>\$ 97,703,185</u>	<u>\$ 99,123,150</u>	<u>\$ 98,626,866</u>	<u>\$ 103,609,320</u>	<u>\$ 102,082,569</u>	<u>\$ 101,996,181</u>
Plan fiduciary net position						
Contributions-employer	\$ 2,902,906	\$ 3,090,075	\$ 3,295,731	\$ 3,056,494	\$ 3,046,943	\$ 3,452,848
Contributions-employee	587,856	365,845	437,411	476,305	448,702	437,221
Net investment income (loss)	(589,115)	2,245,238	6,830,458	8,727,740	(309,635)	3,823,067
Benefit payments including employee refunds	(7,047,839)	(7,501,831)	(7,842,297)	(7,107,671)	(7,994,704)	(8,170,146)
Administrative expense	(177,759)	(222,555)	(239,251)	(373,948)	(289,211)	(377,172)
Other	203,860	126,168	183,429	197,960	69,940	4,300,437
Net change in plan fiduciary net position	(4,120,091)	(1,897,060)	2,665,481	4,976,880	(5,027,965)	3,466,255
Plan fiduciary net position beginning	86,976,068	88,873,128	86,207,647	81,230,767	86,258,732	82,792,477
Plan fiduciary net position ending	<u>\$ 82,855,977</u>	<u>\$ 86,976,068</u>	<u>\$ 88,873,128</u>	<u>\$ 86,207,647</u>	<u>\$ 81,230,767</u>	<u>\$ 86,258,732</u>
Net pension liability	<u>\$ 14,847,208</u>	<u>\$ 12,147,082</u>	<u>\$ 9,753,738</u>	<u>\$ 17,401,673</u>	<u>\$ 20,851,802</u>	<u>\$ 15,737,449</u>
Plan fiduciary net position as a percentage of the total pension liability	84.80%	87.75%	90.11%	83.20%	79.57%	84.57%
Covered payroll	\$ 13,083,911	\$ 13,116,001	\$ 11,903,629	\$ 11,653,598	\$ 12,145,087	\$ 12,940,427
Employer's net pension liability as a percentage of covered payroll	113.48%	92.61%	81.94%	149.32%	171.69%	121.61%

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

**DETROIT PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
LAST SEVEN FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarial determined contributions	\$ 2,874,598	\$ 2,902,906	\$ 3,092,490	\$ 3,295,731	\$ 3,076,926	\$ 3,046,943	\$ 3,452,848
Contributions in relation to the actuarially determined contribution	<u>2,874,598</u>	<u>2,902,906</u>	<u>3,092,490</u>	<u>3,295,731</u>	<u>3,076,926</u>	<u>3,046,943</u>	<u>3,452,848</u>
Contribution deficiency (excess)	<u>\$ -</u>						
Covered payroll	\$ 13,083,911	\$ 13,116,001	\$ 11,903,629	\$ 11,653,598	\$ 12,145,087	\$ 12,940,427	\$ 12,712,629
Contributions as a percentage of covered payroll	21.97%	22.13%	25.98%	28.28%	25.33%	23.55%	27.16%

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

**DETROIT PUBLIC LIBRARY
NOTES TO
REQUIRED SUPPLEMENTARY INFORMATION**

NOTE 1 - SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY

Benefit Changes - there were no changes in benefits in 2020.

Changes in Assumptions -

Inflation: lowered from 2.50% to 2.25%

Investment Rate of Return: lowered from 7.38% to 7.06%, net of administrative expense

Discount Rate: Reduced from 7.38% to 7.06%

NOTE 2 - SCHEDULE OF EMPLOYER CONTRIBUTIONS

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	As determined by the POA
Asset valuation method	30-year closed
Inflation	2.25%
Salary increases	2.0% - 3.0% in the long-term
Investment rate of return	7.06%
Retirement age	Experience based table of rates that are specific to the type of eligibility condition
Mortality	RP-2014 Blue Collar Annuitant Table set-forward one year

OTHER SUPPLEMENTARY INFORMATION

**DETROIT PUBLIC LIBRARY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021**

	Permanent Funds		Total
	Walus Endowment	Biddle Endowment	
ASSETS			
Cash	\$ -	\$ 137,608	\$ 137,608
Investments	105,231	942,932	1,048,163
TOTAL ASSETS	105,231	1,080,540	1,185,771
FUND BALANCE	\$ 105,231	\$ 1,080,540	\$ 1,185,771

**DETROIT PUBLIC LIBRARY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2021**

	<u>Walus Endowment</u>	<u>Biddle Endowment</u>	<u>Total</u>
REVENUES			
Investment income	<u>\$ 12,976</u>	<u>\$ 266,942</u>	<u>\$ 279,918</u>
EXPENDITURES			
Current			
Recreation and culture			
Bank service charges	<u>-</u>	<u>571</u>	<u>571</u>
EXCESS OF REVENUES OVER EXPENDITURES	12,976	266,371	279,347
FUND BALANCE			
Beginning of year	<u>92,255</u>	<u>814,169</u>	<u>906,424</u>
End of year	<u><u>\$ 105,231</u></u>	<u><u>\$ 1,080,540</u></u>	<u><u>\$ 1,185,771</u></u>