

**Orion Township Public Library
Lake Orion, Michigan**

FINANCIAL STATEMENTS

December 31, 2017

Orion Township Public Library

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Orion Township Public Library
Lake Orion, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Orion Township Public Library (the Library), as of and for the year ended December 31, 2017, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Orion Township Public Library, as of December 31, 2017, 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.

Change in Accounting Principles

As discussed in Note K to the financial statements, the Library implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, during the year. As a result, this statement improves the usefulness of information about other postemployment benefits (OPEB) included in the general purpose external financial reports of state and local government OPEB plans for making decisions and assessing accountability. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and post-employment medical benefits plan schedules, 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.

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

April 5, 2018

Orion Township Public Library

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

Financial Reporting

The Orion Township Public Library, (the "Library") has continued to revise and improve its financial report document as a result of standards set by the Governmental Accounting Standards Board (GASB). The intent of these new standards is to provide citizens, taxpayers, and library users with a better understanding of how the Library's money and other assets are managed.

The standards set by GASB are intended to give the reader of this annual financial report a better understanding of the financial status of the Library by introducing accounting rules and systems that are common in the private sector. This report represents a broad picture of the Library's financial status. Through the comprehensive reporting of assets and liabilities, the reader should have a greater understanding of the Library's financial health.

The Library management's discussion and analysis of financial performance provides an overview of the Library's financial activities for the year ended December 31, 2017. Please read it in conjunction with the Library's financial statements which immediately follow this section.

Financial Highlights

As discussed in further detail in this section, the following represents the most significant financial highlights for the year ended December 31, 2017:

- The assets of the Library exceeded its liabilities at the end of the most recent fiscal year by \$4,214,930 (net position) at the government-wide level.
- The Library's total net position decreased \$76,193 as a result of current year activity at the government-wide level.
- At the close of the fiscal year, the Library's general fund reported a fund balance of \$2,239,506.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. This long-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Library in more detail than the government-wide financial statements by providing information about the Library's most significant funds.

Orion Township Public Library
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

The Library as a Whole

The following table shows, in condensed format, the net position as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Assets		
Current and other assets	\$ 2,342,078	\$ 2,271,842
Capital assets, net	<u>1,966,814</u>	<u>2,213,281</u>
 Total assets	 4,308,892	 4,485,123
Liabilities		
Current liabilities	<u>93,962</u>	<u>193,640</u>
Net Position		
Investment in capital assets	1,966,814	2,213,281
Restricted	76,984	89,578
Unrestricted	<u>2,171,132</u>	<u>1,988,264</u>
 Total net position	 <u>\$ 4,214,930</u>	 <u>\$ 4,291,123</u>

The Library's total net position was \$4,214,930 at December 31, 2017, a decrease of \$76,193 over the total net position at the end of the previous fiscal year. Unrestricted net position (the part of net position that can be used to finance day-to-day operations) was \$2,171,132 at the end of the fiscal year, an increase of \$182,868 over the previous year end. The investment in capital assets was \$1,966,814 a decrease of \$246,467 over the previous fiscal year.

The following table shows the changes in net position during the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Revenues		
Program revenue:		
Grant income	\$ 1,651	\$ 3,380
Donations revenue	45,064	89,866
In-kind donation	32,390	-
Penal fines	71,679	74,863
Copier service	9,884	9,482
Library fines	39,133	46,227
Lost or damaged income	7,226	11,073
General revenue:		
Property taxes	2,106,506	2,021,824
State shared revenues	23,783	24,062
Interest and dividend income	17,324	17,126
Realized and unrealized gain on investments	956	6,580
Gain from sales of capital assets	4,102	5,068
Miscellaneous	<u>6,619</u>	<u>6,070</u>
 Total revenues	 2,366,317	 2,315,621
Program Expenses		
Library services/recreation and culture	<u>2,442,510</u>	<u>2,363,259</u>
 Change in Net Position	 <u>\$ (76,193)</u>	 <u>\$ (47,638)</u>

Orion Township Public Library

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

Governmental Activities

The Library's governmental revenues totaled \$2,366,317 with the greatest revenue source being property taxes. Property taxes make up approximately 89 percent of total governmental revenue.

The Library incurred expenses of \$2,442,510 during the year. This includes operational expenses as well as depreciation.

The Library's Funds

The analysis of the Library's major fund begins on page 1, as part of the basic financial statements. The Trustees of the Orion Township Public Library may create funds to help manage money for specific purposes as well as to show accountability for certain activities.

The Library maintains one governmental fund, out of which \$153,822 is assigned for future building and capital improvement needs. Additionally, \$76,984 is restricted for the preservation of local history. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the Library's major fund. The General Fund is the sole major fund for the fiscal year ended December 31, 2017, for financial reporting purposes as defined by GASB Statement No. 34.

The Library incurred \$2,163,414 in expenditures for 2017, to operate the library, including \$282,460 in capital improvements, library books, and materials. Revenue totaled \$2,333,927. The net income for the library for 2017 was \$170,513 (revenues over expenditures) creating a fund balance of \$2,239,506.

Budgetary Highlights

The Orion Township Public Library Board of Trustees adopts an annual budget as required by P.A. 164 of 1877, as amended. The Board then determines the amount of millage that is required to support the budget at the August Board meeting. The Board then adopts a resolution to be given to the Township to collect the required millage. The fiscal year is January 1 through December 31, 2017. The budget was amended for the final time in November 2017. A budgetary comparison statement has been provided as required supplementary information to demonstrate compliance with this budget.

Taxes were \$84,682 higher than 2016's collection primarily due to a large delinquent tax payment received in 2017. State aid decreased from \$24,062 in 2016 to \$23,783 in 2017 and penal fine revenues decreased from \$74,863 in 2016 to \$71,679 in 2017. Total expenditures decreased from \$2,632,956 in 2016 to \$2,163,414, this decrease is primarily attributed to fewer capital improvement projects taking place in the current year. All capital expenditures and some operating expenditures will be supported by the fund balance as voted by the Library Board. The Library continues to monitor expenditures closely, but we are also working on implementing initiatives identified in our strategic plan, which includes some capital expenditures for internal space renovations.

Capital Assets

At the end of the fiscal year, the Library had \$1,966,814 invested in land, building and additions, equipment, furniture, and collections (net of accumulated depreciation). \$153,822 of fund balance has been assigned for future building needs. \$76,984 of fund balance has been restricted for the preservation of local history. \$194,620 in library books and materials were added to assets inventory and \$176,786 in books and materials was disposed of. The Library added \$291,791 in current year additions in a broad range of assets including: \$194,619 to the Library's collection, \$15,003 for a new display case in the Friends Reading Room, and \$32,390 for a donated sculpture. Note C to the financial statements provides additional information regarding capital assets.

Orion Township Public Library

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

Economic Factors

The use of the Library was comparable to the previous year, with the number of materials borrowed from the Library only decreasing slightly from 485,088 in 2016 to 466,922 in 2017 (a 3.74% decrease). The number of visits to the Library decreased a little in the past year, with the number of visits dropping from 195,745 in 2016 to 184,050 in 2017 (a 5.97% decrease). The Library continues to balance the competing objectives of public open hours, staffing levels, purchases of new materials, equipment replacement, and facilities maintenance within a relatively static budget. The Michigan Legislature also continued to fund State Aid to Public Libraries. However, the overall State level funding is inconsequential to the Library, as total State Aid made up only ~1% of the Library's total revenues. Further, it is not expected that State Aid levels will fluctuate significantly over the next year. Property tax revenue has historically been the largest revenue source for the Library and the amount of revenue received by the Library is based on the operating millage rate in effect at the time that property taxes are levied. This rate is set at 1.5, which is set in perpetuity. However, due to the requirements of the Headlee Amendment which adjusts the millage rate annually, the Board holds a public meeting every summer to discuss the next year's millage rate. The Library's operating millage rate that was levied in December 2016 was 1.398, which provides the 2017 tax revenue. In addition, the library's tax revenue is subject to capture from the Brownfield district and the DDA district, and new in 2017 is the Corridor Improvement Authority capture.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, and library users with a general overview of the Library's finances and demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Library Director's office at:

Orion Township Public Library
825 Joslyn Road
Lake Orion, MI 48362

BASIC FINANCIAL STATEMENTS

Orion Township Public Library

GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION

December 31, 2017

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,270,536	\$ -	\$ 1,270,536
Investments	927,582	(99,368)	828,214
Accounts receivable	2,236	-	2,236
Prepays	133,114	-	133,114
Total current assets	2,333,468	(99,368)	2,234,100
Noncurrent assets			
Investments	-	99,368	99,368
Capital assets not being depreciated	-	136,426	136,426
Capital assets, net of accumulated depreciation	-	1,830,388	1,830,388
Net other post-employment benefits asset	-	8,610	8,610
Total noncurrent assets	-0-	2,074,792	2,074,792
TOTAL ASSETS	\$ 2,333,468	1,975,424	4,308,892
LIABILITIES			
Current liabilities			
Accounts payable	\$ 15,566	-	15,566
Accrued vacation	52,757	-	52,757
Accrued wages	22,170	-	22,170
Other accrued liabilities	3,469	-	3,469
TOTAL LIABILITIES	93,962	-0-	93,962
FUND BALANCE			
Nonspendable - prepays	133,114	(133,114)	-0-
Restricted - Ingram Account	76,984	(76,984)	-0-
Assigned for future building needs	153,822	(153,822)	-0-
Unassigned	1,875,586	(1,875,586)	-0-
TOTAL FUND BALANCE	2,239,506	(2,239,506)	-0-
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,333,468	-0-	-0-
NET POSITION			
Investment in capital assets		1,966,814	1,966,814
Restricted - Ingram Account		76,984	76,984
Unrestricted		2,171,132	2,171,132
TOTAL NET POSITION		\$ 4,214,930	\$ 4,214,930

See accompanying notes to financial statements.

Orion Township Public Library

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES

Year Ended December 31, 2017

	General Fund	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES			
Current			
Recreation and culture			
Salaries	\$ 1,170,403	\$ -	\$ 1,170,403
Payroll taxes, employee benefits, and employee pension contributions	302,167	-	302,167
Supplies	54,853	-	54,853
Automation	110,396	-	110,396
Library books and materials	216,314	(194,620)	21,694
Promotion, publishing, and printing	32,612	-	32,612
Telephone	7,863	-	7,863
Utilities	41,658	-	41,658
Repairs and maintenance	35,294	-	35,294
Insurance and workers' compensation	40,291	-	40,291
Transportation	3,983	-	3,983
Education, training, and dues	14,973	-	14,973
Professional and contractual services	33,564	-	33,564
Property tax tribunals	504	-	504
Donation expense	28,735	-	28,735
Grant expense	1,646	-	1,646
Decrease in other post-employment benefits asset	-	239	239
Miscellaneous expense	2,012	-	2,012
Capital improvements	66,146	(64,781)	1,365
Depreciation	-	538,258	538,258
TOTAL EXPENDITURES/EXPENSES	2,163,414	279,096	2,442,510
PROGRAM REVENUES			
Grant income	1,651	-	1,651
Donations	45,064	-	45,064
Penal fines	71,679	-	71,679
Copier service	9,884	-	9,884
Library fines	39,133	-	39,133
Lost or damaged income	7,226	-	7,226
In-kind donation	-	32,390	32,390
TOTAL PROGRAM REVENUES	174,637	32,390	207,027
NET PROGRAM EXPENSE	(1,988,777)	(246,706)	(2,235,483)
GENERAL REVENUES			
Property taxes	2,106,506	-	2,106,506
State aid	23,783	-	23,783
Interest and dividend income	17,324	-	17,324
Realized and unrealized gain on investments	956	-	956
Proceeds/gain from sales of capital assets	4,102	-	4,102
Miscellaneous income	6,619	-	6,619
TOTAL GENERAL REVENUES	2,159,290	-0-	2,159,290
NET CHANGE IN FUND BALANCE	170,513	170,513	-0-
CHANGE IN NET POSITION	-0-	(76,193)	(76,193)
Fund Balance/Net position			
Beginning of the year	2,068,993	2,222,130	4,291,123
End of the year	\$ 2,239,506	\$ 1,975,424	\$ 4,214,930

See accompanying notes to financial statements.

Orion Township Public Library
 STATEMENT OF FIDUCIARY NET POSITION
 December 31, 2017

	Retiree Health Care Trust Fund
ASSETS	
Cash and cash equivalents	\$ 4,554
Investments	356,689
Prepays	2,718
TOTAL ASSETS	363,961
LIABILITIES	
	-
NET POSITION	
Restricted for post-employment medical benefits	\$ 363,961

Orion Township Public Library

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended December 31, 2017

	<u>Retiree Health Care Trust Fund</u>
ADDITIONS	
Employer contributions	\$ 5,521
Interest and dividend income	<u>3,086</u>
TOTAL ADDITIONS	8,607
DEDUCTIONS	
Benefits	10,146
Administrative expenses	<u>3,800</u>
TOTAL DEDUCTIONS	<u>13,946</u>
CHANGE IN NET POSITION	(5,339)
Net position, beginning of year	<u>369,300</u>
Net position, end of year	<u><u>\$ 363,961</u></u>

See accompanying notes to financial statements.

Orion Township Public Library

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Orion Township Public Library (the Library) was established in 1929 to provide recreational and cultural services to the residents of Orion Township. The Library's activities are overseen by a six (6) member Board of Trustees.

The financial statements of the Library have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Library's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements are exclusive presentations of the financial condition and results of operations of the Orion Township Public Library.

2. Basis of Presentation and Measurement Focus

Combined financial statements are provided for the Governmental Fund Balance Sheet and the Statement of Net Position, and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Statement of Activities. Descriptions of both presentations included in the basic financial statements are as follows:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the Library as a whole, excluding fiduciary activities such as the Retiree Health Care Trust Fund.

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, adjustments are reflected on the face of the financial statements. Those adjustments are explained in detail in Note I.

The statement of activities presents the direct functional expenses of the Library 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 interest and all local government appropriations and shows how governmental functions are either self-financing or supported by the general revenues of the Library.

FUND FINANCIAL STATEMENTS

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The governmental fund financial statements present the Library's individual major fund, the General Fund. The General Fund is used to account for all financial transactions not accounted for in another fund including the general operating expenditures of the Library. Revenues are derived primarily from property taxes, state distributions, and grants.

The governmental fund is presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues) and decreases (i.e., expenditures) in fund balance.

Orion Township Public Library

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation and Measurement Focus - continued

FUND FINANCIAL STATEMENTS - CONTINUED

The Library also reports a fiduciary fund to account for assets held by the Library as an agent for other governments, private organizations, or individuals. The Library's fiduciary fund is the Retiree Health Care Trust Fund. The Trust is used to fund the cost of retiree health care benefits for eligible Plan participants.

3. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Revenues for grants and contributions are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the Library before it has legal claim to them, such as when program fees are received but not yet earned.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include state and federal grants and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

4. Budgets and Budgetary Accounting

The annual budget of the Library is prepared by Library management and approved by the Board of Trustees at the total expenditure level. Any revisions to the original budget are approved by the Board before the end of the year.

The Library employs the following procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to the August Board meeting, the Library Director submits to the Finance Committee a proposed operating budget for the fiscal year commencing the following January 1st. In August, the Finance Committee submits the proposed operating budget to the Library Board. The budget is legally adopted by a Library Board Resolution by the first Monday in September in accordance with P.A. 164 of 1877, as amended. The operating budget includes proposed expenditures and the means of financing them.
- b. A public hearing is conducted at the Library's August Board meeting to obtain taxpayer comments regarding millage rate and budget.
- c. Prior to the first Monday in September, the budget is legally adopted by a Library Board Resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires the budget to be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the Act are disclosed as unfavorable variances on the General Fund budgetary comparison schedule.

Orion Township Public Library
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Budgets and Budgetary Accounting - continued

- d. The Director is authorized to transfer budgeted amounts between line-items within an activity. However, the Library Board must approve any revisions that alter the total expenditures for any activity.
- e. The budget as presented has been amended. Supplemental appropriations were made during the year with the last one approved prior to December 31st.

5. Cash and Cash Equivalents

Cash and cash equivalents consists of the Library's checking, savings, and money market accounts as well as certificates of deposit with maturities of less than ninety (90) days. Cash equivalents are recorded at cost, which approximates fair value.

6. Investments

Investments consist of certificates of deposit with maturities of greater than ninety (90) days. Certificates of deposit are recorded at cost, which approximates fair value.

7. Accounts Receivable

Accounts receivable are stated at the outstanding principal balance adjusted for any charge-offs. Management closely monitors outstanding balances and writes off receivables when the receivable is deemed uncollectible. Management believes any realization losses on the outstanding balance at December 31, 2017, would be immaterial; accordingly, no allowance is utilized.

8. Property Taxes

The portion of property taxes allocated to the Library from Orion Township is recorded as revenue in these basic financial statements in the subsequent year in which they are levied. Accordingly, the Library has included in revenue for the year ended December 31, 2017, property taxes levied during December of 2016. The millage rate levied for 2016 was 1.1398. The total taxable value for the 2016 levy for the property within Orion Township was \$1,481,055,118.

9. Prepays

Prepaid expenditures in the governmental funds and prepaid expenses in the government-wide financial statements, such as insurance premiums, which are expected to be written off within the next fiscal year, are included in net current assets. Reported prepaid expenditures are equally offset by nonspendable fund balance which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

10. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an initial individual cost of \$3,500 or more and an estimated useful life of more than one year. Capital assets are not recorded in governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. Purchased 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 acquisition cost on the date received. Donated works of art are considered to be inexhaustible by the Library and therefore, are not depreciated.

Orion Township Public Library

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Capital Assets - continued

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:

Land improvements	5 - 31.5 years
Building and improvements	31.5 years
Equipment, furniture, and fixtures	5 - 10 years
Library books and materials	5 years

11. Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet and statement of net 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 fund balance/net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that time.

In addition to liabilities, the balance sheet and statement of net 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 fund balance/net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

Currently, the Library does not have any items that meet the recognition criteria for classification as deferred outflows of resources or deferred inflows of resources.

12. Accrued Vacation

It is the Library's policy to permit employees to accumulate a limited amount of earned but unused vacation, which will be paid to the employees upon separation from the Library. Employees are paid their accumulated vacation pay upon termination of employment for any reason. Compensated absences are normally expected to be liquidated with expendable available financial resources and expire after one year; therefore, they are recognized as a liability of the governmental fund.

13. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

NOTE B: DEPOSITS

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

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank 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 MI Compiled Laws.

Orion Township Public Library

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE B: DEPOSITS - CONTINUED

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States Banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Deposits

The Library's bank deposits at December 31, 2017, were comprised of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking accounts	\$ 259,479	\$ 271,590
Savings accounts	31	31
Money market accounts	1,009,385	1,009,385
Certificates of deposit	<u>927,582</u>	<u>927,582</u>
Total primary government	2,196,477	2,208,588
FIDUCIARY FUNDS		
Checking accounts	4,554	4,554
Certificates of deposit	<u>356,689</u>	<u>356,689</u>
Total fiduciary funds	<u>361,243</u>	<u>361,243</u>
	<u><u>\$ 2,557,720</u></u>	<u><u>\$ 2,569,831</u></u>

There is a custodial risk as it relates to deposits. In the case of deposits, this is the risk that in the event of bank failure, the Library's deposits may not be returned to it. Deposits of the Library are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Library. As of December 31, 2017, the Library's accounts were insured by the Federal Deposit Insurance Corporation (FDIC) for \$2,546,535. The remaining amount of \$23,296 was uninsured and uncollateralized.

Credit Risk

State law limits investing in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). The Library also has an investment policy, which further limits its investment choices as follows:

Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States. Total investment shall not exceed 25% of the total portfolio of Library investments.

Commercial paper rated at the time of purchase at the highest classification established by not less than two (2) standard rating services and that matures not more than 270 days after the date of purchase. Total investment shall not exceed 25% of the total portfolio of Library investments.

Orion Township Public Library
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE B: DEPOSITS - CONTINUED

Credit Risk - continued

Mutual funds as described by Section I, Act 20 P.A. 1943 as amended. The authorization includes securities whose intention is to maintain a net asset value of \$1.00 per share or securities whose net asset value per share may fluctuate on a periodic basis. Total investment shall not exceed 15% of the total portfolio of Library investments.

Interest Rate Risk

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 designating its investment portfolio with the objective of obtaining a rate of return through the economic cycles considering risk constraints and cash flow characteristics.

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 limiting investments to authorized types of securities, pre-qualifying financial institutions with which the Library will do business, and diversifying the investment portfolio.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. State law and the Library's policy prohibit investment in foreign currency.

The following summarizes the categorization of these amounts as of December 31, 2017:

	<u>Governmental Activities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,270,536	\$ 4,554	\$ 1,275,090
Investments			
Certificates of deposit	<u>927,582</u>	<u>356,689</u>	<u>1,284,271</u>
	<u>\$ 2,198,118</u>	<u>\$ 361,243</u>	<u>\$ 2,559,361</u>

The cash, cash equivalents, and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note A. The cash and cash equivalents caption on the financial statements include \$1,641 in petty cash.

Orion Township Public Library
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

	Balance Jan. 1, 2017	Additions	Disposals	Balance Dec. 31, 2017
Capital assets not being depreciated				
Land	\$ 46,036	\$ -	\$ -	\$ 46,036
Works of art	58,000	32,390	-	90,390
Total capital assets not being depreciated	104,036	32,390	-0-	136,426
Capital assets being depreciated				
Land improvements	75,097	-	-	75,097
Building and improvements	3,260,264	-	-	3,260,264
Equipment, furniture, and fixtures	2,559,994	64,781	(42,742)	2,582,033
Library books and materials	964,777	194,620	(176,786)	982,611
Total capital assets being depreciated	6,860,132	259,401	(219,528)	6,900,005
Less accumulated depreciation for:				
Land improvements	(45,332)	(7,360)	-	(52,692)
Building and improvements	(2,720,398)	(104,458)	-	(2,824,856)
Equipment, furniture, and fixtures	(1,609,141)	(233,316)	42,574	(1,799,883)
Library books and materials	(376,016)	(192,956)	176,786	(392,186)
Total accumulated depreciation	(4,750,887)	(538,090)	219,360	(5,069,617)
Net capital assets being depreciated	2,109,245	(278,689)	(168)	1,830,388
Capital assets, net	<u>\$ 2,213,281</u>	<u>\$ (246,299)</u>	<u>\$ (168)</u>	<u>\$ 1,966,814</u>

The current depreciation expense of the governmental activities of \$538,090 has been adjusted by \$168 for the loss on disposal of capital assets during the period, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

NOTE D: LEASE COMMITMENTS

In November 2012, the Library entered into a sixty-three (63) month operating lease agreement for three (3) copiers. The lease requires monthly payments of \$533 which began in January 2013 and continues through March 2018.

The future minimum lease payments under these noncancellable operating agreements at December 31, 2017, are as follows:

Year Ending <u>December 31,</u>	
2018	<u>\$ 1,599</u>

Rental expense for 2017 under the noncancellable operating lease agreements was \$6,397.

Orion Township Public Library

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE E: DEFINED CONTRIBUTION PENSION PLAN

The Library sponsors and administers a defined contribution plan, the Orion Township Public Library Group Pension Plan (the Plan). The Plan may be amended from time-to-time by written amendment executed by the insurer of the Plan. The Plan covers full-time employees who are at least 18 years of age and have six months of service with the Library. The Library's required contributions are in varying amounts from 8% to 10% of compensation per participant depending on length of service. Participants may also make voluntary contributions of up to 10% of their monthly compensation. Library and employee contributions to the Plan amounted to \$75,600 and \$14,533, respectively, in 2017. The Library did not have an outstanding liability for contributions at December 31, 2017.

Effective January 1, 2016, the Plan was amended to change the normal retirement age from 65 years of age to 55 years of age.

NOTE F: OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The Library has a Retiree Health Care Plan and Trust (the "Plan") under Internal Revenue Code Section 501(c)(9) as a voluntary employees' beneficiary association to provide medical benefits to eligible retirees, their spouses and dependents. The Plan incorporates the terms of the medical benefits program as included in the health insurance contracts. Comerica Bank, a Michigan banking corporation, is the Trustee of the assets of the Plan. As of the most recent actuarial valuation, the Plan has 21 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

Summary of Plan Participants

At the December 31, 2017 valuation date, the following employees were covered by the benefit terms:

Inactive plan members receiving benefits	4
Active plan members	<u>17</u>
	<u><u>21</u></u>

Benefits Provided

Benefits are provided through traditional indemnity insurance, a health maintenance organization, or a preferred provider organization. In order to be eligible for the retiree health insurance benefits all of the following must be met:

- Employee of the Library and has separated from service with the Library after July 18, 2006.
- Has attained the age of fifty-five (55) as of his or her separation date.
- At least 10 years of full-time continuous employment at the Library prior to retirement.
- Receipt of a retirement benefit from the Orion Township Public Group Pension Plan.
- Participation in the Library's health insurance program at the time of retirement.
- Election, prior to entry date, to be covered under the Plan.
- Agreement to enroll in Medicare immediately upon becoming eligible for Medicare benefits.

The Plan does not issue a separate stand-alone financial statement.

Additionally, any retiree who is eligible for the Retiree Health Care Plan and Trust shall also receive retiree health benefits for his/her spouse and dependents (if any). The retiree may elect coverage under the Plan for his or her spouse only during the retiree's initial election period that precedes the retiree's entry date.

Orion Township Public Library
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE F: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Investment Policy

The Library may invest and reinvest the assets of the Plan subject to the terms, conditions, limitations, and restrictions imposed by Michigan law and, to the extent applicable to a government plan, the Internal Revenue Code of 1986, as amended, and the Employee Retirement Security Act of 1974, as amended. It is the policy of the Plan to invest funds in a manner which will ensure the preservation of principal while providing the highest investment return with maximum security.

Summary of Significant Accounting Policies

For purposes of measuring the net other post-employment benefits (OPEB) liability/(asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Plan and additions to/deductions from the Library's fiduciary net position have been determined on the same basis as they are reported for the Library. 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.

Funding Progress

For the year ended December 31, 2017, the Library has determined an estimated cost of providing post-employment benefits through an actuarial valuation as of December 31, 2014. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed thirty (30) years.

The Library's computed contribution and actual funding is summarized as follows:

Annual required contribution (ARC)	\$	5,521
Interest on net OPEB asset		(575)
Adjustment to annual required contribution		814
Annual OPEB cost (expense)		5,760
Amounts contributed		
Employer contributions		(5,521)
Decrease in net OPEB asset		239
OPEB asset - beginning of year		(8,849)
OPEB asset - end of year	\$	(8,610)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

	Year Ended December 31,		
	2015	2016	2017
Annual OPEB cost	\$ 5,774	\$ 5,790	\$ 5,760
Percentage contributed	95.6%	95.4%	95.9%
Net OPEB (asset)	(9,118)	(8,849)	(8,610)

Orion Township Public Library
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE F: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Funding Progress - continued

The funding progress of the plan is as follows:

	Second Preceding Valuation	First Preceding Valuation	Current Year Report
Valuation date	1/1/2008	12/31/2011	12/31/2014
Market value of plan assets	\$ 365,796	\$ 378,163	\$ 380,131
Actuarial accrued liability	326,587	568,035	378,687
Unfunded accrued liability	\$ (39,209)	\$ 189,872	\$ (1,444)
Funded ratio	112.0%	66.6%	100.4%
Covered payroll	Not applicable	Not applicable	Not applicable
Unfunded liability/payroll ratio	Not applicable	Not applicable	Not applicable

Net OPEB Liability

The components of the net OPEB liability of the Library at December 31, 2017, were as follows:

Total OPEB liability	\$ 790,668
Plan fiduciary net position	<u>361,243</u>
Library's net OPEB liability	<u>\$ 429,425</u>
Plan fiduciary net position as a percentage of the total OPEB liability	84.12%

Actuarial Assumptions

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.0%

Salary increases: 2.0%

Investment rate of return: 3.35%

Healthcare cost trend rates: Pre-65 - 8.5% in 2018, graded down 0.5% per year to an ultimate rate of 5.0% per year; Medicare supplement - 5.0% per year; Dental - 4% per year.

20-year Aa municipal bond rate: 3.35%

Mortality: MP 2017 total dataset, headcount weighted, annuitant and non-annuitant sex distinct mortality.

Orion Township Public Library
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE F: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Actuarial Assumptions - continued

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranked of expected future real rates of return (expected returns, net of retirement plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the retirement plan's target asset allocation as of December 31, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Comerica money market	47.00%	1.15%
Comerica certificate of deposit	50.00%	1.61%
Comerica checking account	3.00%	0.00%

The sum of each target allocation times its long-term expected real rate is 1.35%. The long-term expected rate of return is 3.5% with inflation.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.35%. The projection of cash flows used to determine the discount rate assumed that the Library's contributions will be consistent with the actuarial required amount. On this basis, the retirement plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits calculated. This discount rate is used to determine the total OPEB liability. December 31, 2017 is the first year of required compliance with GASB 74 so there is no change in discount rate to disclose.

Sensitivity of the Net OPEB Liability in the Discount Rate

The following presents the net OPEB liability of the Library, as well as what the Library's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.35%) or 1-percentage-point higher (4.35%) than the current discount rate:

	1% Decrease	Current Rate	1% Increase
Net OPEB liability	\$ 610,153	\$ 429,425	\$ 292,737

Sensitivity of the Net OPEB Liability in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Library, as well as what the Library's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.5% decreasing to 4.0%) or 1-percentage-point higher (9.5% decreasing to 6.0%) than the current discount rate:

	1% Decrease	Current Rate	1% Increase
Net OPEB liability	\$ 280,908	\$ 429,425	\$ 628,509

Orion Township Public Library

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE G: RISK MANAGEMENT

The Library participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Library has not been informed of any special assessments being required.

The Library also participates in a pool, the Michigan Municipal League Liability and Property Pool, with other municipalities for property, liability, auto, and casualty losses. The pool is organized under Public Act 168 of 1982, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Library has not been informed of any special assessments being required.

NOTE H: 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 (5) 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, 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., 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.

Fund Balance Classification Policies and Procedures

For committed fund balance, the Library's highest level of decision-making authority is the Board of Trustees. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a full vote and approval by the Board of Trustees.

For assigned fund balance, the Board of Trustees is authorized to assign amounts to a specific purpose through a full vote and approval.

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

Orion Township Public Library

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE I: RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Library's governmental fund differs from net position and changes in net position of the governmental activities reported in the statement of net position and statement of activities, respectively. This difference primarily results from the long-term economic focus of the statement of net position and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance.

The following are reconciliations of fund balance to net position and the net change in fund balance to the change in net position:

Total fund balance - governmental fund	\$ 2,239,506
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Amounts reported in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	\$ 7,036,431	
Accumulated depreciation is	<u>(5,069,617)</u>	
Capital assets, net		1,966,814

Long-term assets are not to represent an economic benefit in the current period and therefore are not reported in the governmental funds balance sheet. Long-term assets at year-end consist of:

Net other post-employment benefits asset	<u>8,610</u>
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Net position of governmental activities	<u><u>\$ 4,214,930</u></u>
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Net change in fund balance - governmental fund	\$ 170,513
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Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 259,401	
Donated capital item	32,390	
Depreciation expense	<u>(538,258)</u>	
Excess of depreciation expense over capital outlay		(246,467)

Some items reported in the statement of activities do not required the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Decrease) in other post-employment benefits asset	<u>(239)</u>
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Change in net position of governmental activities	<u><u>\$ (76,193)</u></u>
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Orion Township Public Library

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE J: ORION TOWNSHIP TAX ABATEMENTS

Library property tax revenues were reduced by \$4,772 under agreements entered into by Orion Township during the year ended December 31, 2017.

NOTE K: CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, was also implemented during the year. This statement improves the usefulness of information about other postemployment benefits (OPEB) included in the general purpose external financial reports of state and local government OPEB plans for making decisions and assessing accountability.

NOTE L: UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligations as a liability for the first time, and to more comprehensibly and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The Library is currently evaluating the impact this standard will have on the financial statements when adopted during the 2018 fiscal year.

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement will increase the usefulness of government's 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 an underlying asset. The Library is currently evaluating the impact this standard will have on the financial statements when adopted during the 2021 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

Orion Township Public Library

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2017

	Budget Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,050,000	\$ 2,050,000	\$ 2,106,506	\$ 56,506
State aid	20,000	20,000	23,783	3,783
Grant income	-	-	1,651	1,651
Penal fines	65,000	65,000	71,679	6,679
Copier service	8,000	8,000	9,884	1,884
Interest and dividend income	15,000	15,000	17,324	2,324
Realized and unrealized gain on investments	-	-	956	956
Donations revenue	25,000	25,000	45,064	20,064
Library fines	50,000	50,000	39,133	(10,867)
Lost or damaged income	-	-	7,226	7,226
Proceeds from sales of capital assets	-	-	4,102	4,102
Miscellaneous income	7,000	7,000	6,619	(381)
TOTAL REVENUES	2,240,000	2,240,000	2,333,927	93,927
EXPENDITURES				
Current				
Recreation and culture				
Salaries	1,350,000	1,342,479	1,170,403	172,076
Payroll, payroll taxes, employee benefits, and employee pension contributions	360,000	360,000	296,646	63,354
Supplies	70,000	70,000	54,853	15,147
Automation	135,000	135,000	110,396	24,604
Library books and materials	230,000	230,000	216,314	13,686
Promotion, publishing, and printing	36,000	36,000	32,612	3,388
Telephone	8,000	8,000	7,863	137
Utilities	65,000	65,000	41,658	23,342
Repairs and maintenance	42,000	42,000	35,294	6,706
Insurance and workers' compensation	47,000	47,000	40,291	6,709
Transportation	7,000	7,000	3,983	3,017
Education, training, and dues	25,000	25,000	14,973	10,027
Professional and contractual services	50,000	50,000	33,564	16,436
Property tax tribunals	15,000	15,000	504	14,496
Donation expense	-	-	28,735	(28,735)
Grant expense	-	2,000	1,646	354
Miscellaneous expense	2,500	2,500	2,012	488
Post-employment benefits	-	5,521	5,521	-0-
Capital improvements	97,500	97,500	66,146	31,354
TOTAL EXPENDITURES	2,540,000	2,540,000	2,163,414	376,586
NET CHANGE IN FUND BALANCE	(300,000)	(300,000)	170,513	470,513
Fund balance, beginning of year	2,068,993	2,068,993	2,068,993	-0-
Fund balance, end of year	<u>\$ 1,768,993</u>	<u>\$ 1,768,993</u>	<u>\$ 2,239,506</u>	<u>\$ 470,513</u>

Orion Township Public Library

Post-employment Medical Benefits Plan

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Year Ended December 31, 2017

Actuarial Valuation Date	Actuarial Accrued Liability (b)	Actuarial Value of Assets (a)	Under/(Over) Funded Actuarial Liability (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	Actuarial Accrued Liability as a Percentage of Covered Payroll (d)
1/1/2008	\$ 326,587	\$ 365,796	\$ (39,209)	112.0%	Not applicable	Not applicable
12/31/2011	568,035	378,163	189,872	67.1	Not applicable	Not applicable
12/31/2014	378,687	380,131	(1,444)	100.0	Not applicable	Not applicable

The information presented above was determined as part of the actuarial valuation at the dates indicated. Additional information as of December 31, 2014, the date of the latest actuarial valuation, is as follows:

Actuarial cost method	Aggregated cost method
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	6.50%
Return on plan assets	6.50%
Utilization of plan benefits	50% discontinuation upon becoming Medicare eligible

The schedule of employer contributions is as follows:

Year Ended December 31,	Annual Required Contribution	Contribution from Employees	Contribution from Employer	Total Amount Contributed	Employer Percentage Contributed
2008	\$ 316	\$ -	\$ 17,000	\$ 17,000	538.0%
2009	2,161	-	7,000	7,000	339.6%
2010	2,715	-	-	-0-	0.0%
2011	3,827	-	-	-0-	0.0%
2012	18,626	-	18,626	18,626	100.0%
2013	18,626	-	18,626	18,626	100.0%
2014	18,626	-	18,626	18,626	100.0%
2015	5,521	-	5,521	5,521	100.0%
2016	5,521	-	5,521	5,521	100.0%
2017	5,521	-	5,521	5,521	100.0%

Orion Township Public Library

SCHEDULE OF CHANGES IN EMPLOYER'S NET OPEB LIABILITY AND RELATED RATIOS

Year Ended December 31, 2017

(Ultimately ten years will be displayed)

	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 39,959
Interest	25,622
Difference between expected and actual experience	9,056
Benefit payments including employee refunds	<u>(17,682)</u>
Net Change in Total OPEB Liability	56,955
Total OPEB Liability, beginning	<u>733,713</u>
Total OPEB Liability, ending	<u><u>\$ 790,668</u></u>
Plan Fiduciary Net Position	
Contributions to OPEB trust	\$ 5,521
Retiree contributions	3,620
Net investment income	3,087
Benefit payments, including employee refunds	<u>(17,682)</u>
Net Change in Plan Fiduciary Net Position	(5,454)
Plan Fiduciary Net Position, beginning	<u>366,697</u>
Plan Fiduciary Net Position, ending	<u><u>\$ 361,243</u></u>
Net OPEB Liability	<u><u>\$ 429,425</u></u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	46%
Covered Employee Payroll	\$ 779,310
Employer's Net OPEB Liability as a percentage of covered employee payroll	55%

Orion Township Public Library

SCHEDULE OF EMPLOYER'S CONTRIBUTIONS

Year Ended December 31, 2017

(Ultimately ten years will be displayed)

	<u>2017</u>
Service cost	\$ -
Amortization of unfunded liability	<u>5,521</u>
Actuarially determined employer contributions	5,521
Employer contributions	<u>5,521</u>
Contribution deficiency (excess)	<u><u>\$ -0-</u></u>
Covered employee payroll	\$ 779,310
Contributions as a percentage of covered employee payroll	0.71%

Orion Township Public Library
SCHEDULE OF INVESTMENT RETURNS
Year Ended December 31, 2017
(Ultimately ten years will be displayed)

	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	-1.49%