

**ORION TOWNSHIP PUBLIC LIBRARY  
LAKE ORION, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS  
(with required supplementary information)**

**YEAR ENDED DECEMBER 31, 2020**

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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, 2020, 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, 2020, 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, budgetary comparison information, and postemployment 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.

*Maney Costeiran PC*

March 31, 2021

## **ORION TOWNSHIP PUBLIC LIBRARY MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **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, 2020. 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, 2020:

- The assets of the Library exceeded its liabilities at the end of the most recent fiscal year by \$4,827,712 (net position) at the government-wide level.
- The Library's total net position increased \$213,439 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 \$3,177,487.

### **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**

**The Library as a Whole**

The following table shows, in condensed format, the net position as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Assets		
Current and other assets	\$ 3,580,107	\$ 3,355,893
Capital assets, net	<u>1,363,799</u>	<u>1,467,189</u>
Total assets	<u>4,943,906</u>	<u>4,823,082</u>
Deferred outflows of resources	<u>19,711</u>	<u>16,740</u>
Liabilities		
Current liabilities	<u>135,905</u>	<u>113,894</u>
Deferred inflows of resources	<u>-</u>	<u>111,655</u>
Net Position		
Investment in capital assets	1,363,799	1,467,189
Restricted	425,480	429,122
Unrestricted	<u>3,038,433</u>	<u>2,717,962</u>
Total net position	<u>\$ 4,827,712</u>	<u>\$ 4,614,273</u>

The Library's total net position was \$4,827,712 at December 31, 2020, an increase of \$213,439 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 \$3,038,433 at the end of the fiscal year, an increase of \$320,471 over the previous year end. The investment in capital assets was \$1,363,799 a decrease of \$103,390 over the previous fiscal year.

**ORION TOWNSHIP PUBLIC LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following table shows the changes in net position during the years ended December 31, 2020 and 2019:

	2020	2019
Revenues		
Program revenue		
Grant income	\$ 88,081	\$ 14,780
Donations revenue	121,936	50,956
Penal fines	60,956	75,599
Library fines	9,837	37,972
Copier service	3,262	10,526
Lost or damaged income	2,336	5,650
General revenue		
Property taxes	2,387,711	2,297,710
State shared revenues	28,834	28,871
Local community stabilization	21,942	-
Interest and dividend income	16,963	26,132
Realized and unrealized gain on investments	23,727	31,749
Gain from sales of capital assets	385	250
Miscellaneous	22,809	9,598
Total revenues	2,788,779	2,589,793
Program Expenses		
Library services/recreation and culture	2,575,340	2,307,677
Change in net position	\$ 213,439	\$ 282,116

**Governmental Activities**

The Library's governmental revenues totaled \$2,788,779 with the greatest revenue source being property taxes. Property taxes make up approximately 86% of total governmental revenue. Total revenue increased approximately 8% compared to the prior year as a result of personal property tax reimbursements from the local community stabilization authority, a grant from Oakland Together for pandemic related expenses, a grant from the Orion Community Cable Communications Commission to install audio/visual equipment in the meeting room, and insurance reimbursements for water damages to the Library building.

The Library incurred expenses of \$2,575,340 during the year. This includes operational expenses as well as depreciation. Total expenses increased approximately 12% compared to the prior year as a result of wage increases based on an analysis of similar libraries in Michigan, legal consultations related to the pandemic, and capital improvements, including new audio/visual equipment installed in the meeting room.

**The Library's Funds**

*General Fund*

The analysis of the Library's major fund begins on page 9, 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.

## **ORION TOWNSHIP PUBLIC LIBRARY MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Library maintains one governmental fund, out of which \$18,576 is assigned for future building and capital improvement needs. Additionally, \$67,451 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, 2020, for financial reporting purposes as defined by GASB Statement No. 34. The Library incurred \$2,365,906 in expenditures for 2020, to operate the library, including \$320,929 in capital improvements, library books, and materials. Revenue totaled \$2,699,779. The net income for the library for 2020 was \$333,873 (revenues over expenditures) creating a fund balance of \$3,177,487. The Library also adjusted beginning fund balance at January 1, 2020, by removing the accrued vacation from the general operating fund in accordance with GASB Statement No. 16, *Compensated Absences*, as the balance was material at December 31, 2020.

### *Retiree Healthcare Trust Fund*

The Library's Retiree Healthcare Trust Fund financial statements begin on page 11. This fund was established to set aside money for retired Library employee's healthcare costs.

The trust fund recognized \$5,120 in interest and dividend income, a decrease of approximately 30% from the previous year. The trust fund also recognized \$6,789 of expenses for benefits provided and related administrative expenses, resulting in a decrease in net position of the trust fund of \$1,669.

### **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, 2020. The budget was amended for the final time in November 2020. A budgetary comparison statement has been provided as required supplementary information to demonstrate compliance with this budget.

Budgeted revenues were not amended during the fiscal year. Actual revenues were \$156,779 higher than the final budgeted amount. The most significant positive variance between the final budget and actual revenue was \$47,834 for grant revenue. The Library does not budget for realized and unrealized gains on investments as a conservative approach. Actual gains on investments were \$23,727. Similarly, the budget for governmental grants was \$0, while actual governmental grant revenue was \$40,247.

While the budget for expenditures was reallocated between specific line items, the Library's total final budgeted expenditures were the same as the total original budgeted expenditures. Actual expenditures were \$177,094 less than the final amended budget. The most significant variances between the final budgeted expenditures and actual expenditures were salaries and fringe benefits. Actual expenditures for salaries were \$82,165 less than the final budgeted amount, while payroll taxes and other fringe benefits were \$9,481 less than the final budgeted amount. These actual expenditures were less than final budgeted amounts because of conservative estimates at the time of the budget. Health benefits are estimated for a percentage increase in the budget prior to receiving the actual costs. Salaries are estimated a little higher, especially for part-time staff, whose schedules may fluctuate during the year.

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.

**ORION TOWNSHIP PUBLIC LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Capital Assets**

At the end of the fiscal year, the Library had \$1,363,799 invested in land, building and additions, equipment, furniture, and collections (net of accumulated depreciation). The Library added \$350,085 in current year additions in a broad range of assets including: \$151,942 to the Library's collection; \$65,716 for AV meeting room equipment; \$5,384 for new WiFi hardware; \$21,568 for restoration of director's office; and a bronze sculpture with an estimated value of \$89,000. Disposals of library books and materials totaled \$191,109. Note 3 to the financial statements provides additional information regarding capital assets.

**Long-term Obligations**

At the end of the 2020 fiscal year, the Library's sole long-term obligation was compensated absences (accrued vacation). This was unchanged from the 2019 fiscal year. Compensated absences ended the fiscal year at \$71,603, an increase of \$18,184 during the fiscal year. This increase can be attributed to an increase in hourly pay rates and less vacation time taken as employees did not travel as much in the pandemic.

**Economic Factors**

The use of the Library was certainly lower than the previous year, due to the COVID-19 pandemic. The library was closed entirely from March 13, 2020 to mid-June 2020. Staff returned on June 8, 2020, and Curbside Pickup of materials for patrons started on June 22, 2020. The three-month closure resulted in approximately a 33% drop in number of materials borrowed. However, our digital materials were used much more. At the end of 2020, patrons had checked out 174,565 digital items, compared to 124,822 digital items in 2019, which is an increase of almost 40%. In 2020, the Library prioritized funding for COVID-19 related expenses and new services to reach the community in new ways, such as Curbside Pickup, Take & Make kits, and Virtual Programs. These expenses were mostly in technology to support the virtual environment, as well as the PPE and disinfecting products necessary. 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 the 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 year to discuss the next year's millage rate. The Library's operating millage rate that was levied in December 2019 was 1.3555, which provides the 2020 tax revenue. In addition, the library's tax revenue is subject to capture from the Brownfield district, the DDA district, and the Corridor Improvement Authority.

**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, 2020**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,269,106	\$ -	\$ 1,269,106
Investments	1,812,466	(459,021)	1,353,445
Accounts receivable	21,942	-	21,942
Due from other governmental units	4,679	-	4,679
Prepays	133,596	-	133,596
	<u>3,241,789</u>	<u>(459,021)</u>	<u>2,782,768</u>
Total current assets			
Noncurrent assets			
Investments	-	459,021	459,021
Capital assets not being depreciated	-	225,426	225,426
Capital assets, net of accumulated depreciation	-	1,138,373	1,138,373
Net other post-employment benefits asset	-	338,318	338,318
	<u>-</u>	<u>2,161,138</u>	<u>2,161,138</u>
Total noncurrent assets			
	<u>3,241,789</u>	<u>1,702,117</u>	<u>4,943,906</u>
<b>TOTAL ASSETS</b>			
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to net other post-employment benefits asset	<u>-</u>	<u>19,711</u>	<u>19,711</u>
	<u>\$ 3,241,789</u>	<u>1,721,828</u>	<u>4,963,617</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 15,290	-	15,290
Accrued wages	41,969	-	41,969
Other accrued liabilities	7,043	-	7,043
Compensated absences	-	71,603	71,603
	<u>64,302</u>	<u>71,603</u>	<u>135,905</u>
<b>TOTAL LIABILITIES</b>			
<b>FUND BALANCE</b>			
Non-spendable - prepays	133,596	(133,596)	-
Restricted - Ingram Account	67,451	(67,451)	-
Assigned for future building needs	18,576	(18,576)	-
Unassigned	2,957,864	(2,957,864)	-
	<u>3,177,487</u>	<u>(3,177,487)</u>	<u>-</u>
<b>TOTAL FUND BALANCE</b>			
	<u>\$ 3,241,789</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>			
<b>NET POSITION</b>			
Investment in capital assets		1,363,799	1,363,799
Restricted - Ingram Account		67,451	67,451
Restricted - Other post-employment benefits		358,029	358,029
Unrestricted		3,038,433	3,038,433
		<u>\$ 4,827,712</u>	<u>\$ 4,827,712</u>
<b>TOTAL NET POSITION</b>			

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, 2020**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>EXPENDITURES/EXPENSES</b>			
Current			
Recreation and culture			
Salaries	\$ 1,301,835	\$ 18,184	\$ 1,320,019
Payroll taxes, employee benefits, and employee pension contributions	340,519	(1,140)	339,379
Supplies	46,729	-	46,729
Automation	119,097	-	119,097
Library books and materials	192,133	(151,942)	40,191
Promotion, publishing, and printing	14,397	-	14,397
Telephone	3,280	-	3,280
Utilities	36,100	-	36,100
Repairs and maintenance	32,601	-	32,601
Insurance and workers' compensation	42,811	-	42,811
Transportation	2,099	-	2,099
Education, training, and dues	11,111	-	11,111
Professional and contractual services	56,593	-	56,593
Donation expense	31,742	-	31,742
Grant expense	4,378	-	4,378
Miscellaneous expense	1,685	-	1,685
Capital improvements	128,796	(109,143)	19,653
Depreciation	-	453,475	453,475
	<u>2,365,906</u>	<u>209,434</u>	<u>2,575,340</u>
<b>TOTAL EXPENDITURES/EXPENSES</b>			
<b>PROGRAM REVENUES</b>			
Grant income	88,081	-	88,081
Donations	32,936	89,000	121,936
Penal fines	60,956	-	60,956
Library fines	9,837	-	9,837
Copier service	3,262	-	3,262
Lost or damaged income	2,336	-	2,336
	<u>197,408</u>	<u>89,000</u>	<u>286,408</u>
<b>TOTAL PROGRAM REVENUES</b>			
<b>NET PROGRAM EXPENSE</b>			
	<u>(2,168,498)</u>	<u>(120,434)</u>	<u>(2,288,932)</u>
<b>GENERAL REVENUES</b>			
Property taxes	2,387,711	-	2,387,711
State aid	28,834	-	28,834
Local community stabilization	21,942	-	21,942
Interest and dividend income	16,963	-	16,963
Realized and unrealized gain on investments	23,727	-	23,727
Proceed/gain from the sale of capital assets	385	-	385
Miscellaneous income	22,809	-	22,809
	<u>2,502,371</u>	<u>-</u>	<u>2,502,371</u>
<b>TOTAL GENERAL REVENUES</b>			
<b>NET CHANGE IN FUND BALANCE</b>			
	333,873	(333,873)	-
<b>CHANGE IN NET POSITION</b>			
	-	213,439	213,439
<b>Fund balance/net position</b>			
Beginning of the year	2,790,195	1,824,078	4,614,273
Prior period adjustment	53,419	(53,419)	-
	<u>3,177,487</u>	<u>1,650,225</u>	<u>4,827,712</u>
End of the year	<u>\$ 3,177,487</u>	<u>\$ 1,650,225</u>	<u>\$ 4,827,712</u>

See accompanying notes to financial statements.

**ORION TOWNSHIP PUBLIC LIBRARY  
STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2020**

	<u>Retiree Health Care Trust Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 136,356
Investments	213,406
Prepays	<u>1,690</u>
<b>TOTAL ASSETS</b>	<b>351,452</b>
<b>LIABILITIES</b>	
Accounts payable	<u>-</u>
<b>NET POSITION</b>	
Restricted for post-employment medical benefits	<u><u>\$ 351,452</u></u>

See accompanying notes to financial statements.

**ORION TOWNSHIP PUBLIC LIBRARY  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED DECEMBER 31, 2020**

	<u>Retiree Health Care Trust Fund</u>
<b>ADDITIONS</b>	
Interest and dividend income	<u>\$ 5,120</u>
<b>DEDUCTIONS</b>	
Benefits	2,039
Administrative expenses	<u>4,750</u>
<b>TOTAL DEDUCTIONS</b>	<u>6,789</u>
<b>CHANGE IN NET POSITION</b>	(1,669)
Net position, beginning of year	<u>353,121</u>
Net position, end of year	<u><u>\$ 351,452</u></u>

See accompanying notes to financial statements.

**ORION TOWNSHIP PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - 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-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.

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. The Library is not considered a component unit of any other governmental unit.

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 11.

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.

**ORION TOWNSHIP PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

Basis of Presentation and Measurement Focus (continued)

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.

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.

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.

**ORION TOWNSHIP PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

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 September Board meeting, the Library Director submits to the Finance Committee a proposed operating budget for the fiscal year commencing the following January 1<sup>st</sup>. 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 October 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 September Board meeting to obtain taxpayer comments regarding millage rate and budget.
- c. Prior to the first Monday in October, 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.
- 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 31<sup>st</sup>.

The budget for the year ending December 31, 2020, was approved by the Board of Trustees at the September 19, 2019 meeting.

Cash and Cash Equivalents

Cash and cash equivalents consist of the Library's checking, savings, and money market accounts as well as pooled investment funds available for withdrawal at any time. Cash equivalents are recorded at cost, which approximates fair value.

**ORION TOWNSHIP PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

Investments

Investments consist of certificates of deposit and U.S. Treasury Bills with maturities of greater than 90 days. Mutual funds and certificates of deposit are recorded at cost, which approximates 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 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.
- 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.

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 of losses on the outstanding balance at December 31, 2020, would be immaterial; accordingly, no allowance is utilized.

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, 2020, property taxes levied during December of 2019. The millage rate levied for 2019 was 1.3555. The total taxable value for the 2019 levy for the property within Orion Township was \$1,897,399,450.

**ORION TOWNSHIP PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

Tax Abatements

The Library's tax revenues have been reduced by tax abatements. Management has determined these amounts to be immaterial to the financial statements.

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 non-spendable fund balance which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

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.

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

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.

**ORION TOWNSHIP PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

Deferred Outflows/Inflows of Resources (continued)

The Library has certain items that qualify for reporting in these categories and are reported in the government-wide financial statement of net position. These items correspond to the Library's net other post-employment benefits asset. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

Compensated Absences

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.

Fund Balance Classifications

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:

*Non-spendable* - 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.

**ORION TOWNSHIP PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

Fund Balance Classification Policies and Procedures (continued)

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.

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 2 - DEPOSITS AND INVESTMENTS**

As of December 31, 2020, 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 December 31, 2020, \$73,487 of the Library’s bank balance of \$2,264,894 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Library’s deposits had a carrying amount of \$2,258,172 as of December 31, 2020. The cash caption on the primary government’s financial statements includes \$1,525 of petty cash.

**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 operations, 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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weight Average Maturity (years)</u>
U.S. Treasury bills	<u>\$ 1,149,759</u>	0.2643

1 day maturity equals 0.0027, one year equals 1.00

**ORION TOWNSHIP 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 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 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.

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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
U.S. Treasury bills	\$ 1,149,759	N/A
Comerica Short-Term Funds	21,878	A1/P1/F1
	<u>\$ 1,171,637</u>	

**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.

The fair value of investments in a single issuer that represents 5% or more of total investments at December 31, 2020, are as follows:

U.S. Treasury bills	\$ 1,149,759
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**Foreign Currency Risk.** The Library is not authorized to invest in investments which have this type of risk.

**ORION TOWNSHIP PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

**Fair Value Measurement.** The Library is required to disclose amounts within a framework established for measuring fair value. That 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 prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: 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 quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little to no market activity for an investment at the end of the period). Unobservable inputs reflect the plan’s own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

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 below.

Investment Type	Level 1	Level 2	Level 3	Balance at Dec. 31, 2020
U.S. Treasury bills	<u>\$ 1,149,759</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 1,149,759
Investments at net asset value (NAV)				
Comerica Short-Term Funds				<u>21,878</u>
Total investments				<u>\$ 1,171,637</u>

**Investments in Entities that Calculate Net Asset Value per share.** The Library holds shares or interests in an investment pool where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient. The short-term investments are held in the Comerica Short Term Funds (STIF) which is a conservative prime market fund structured to maintain a stable \$1 net asset value (NAV).

**ORION TOWNSHIP PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

At the year ended December 31, 2020, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, in Eligible</u>	<u>Redemption Notice Period</u>
Comerica Short-Term Funds	<u>\$ 21,878</u>	<u>\$ -</u>	No restrictions	None

The cash and 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 2. The following summarizes the categorization of these amounts as of December 31, 2020:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,269,106	\$ 136,356	\$ 1,405,462
Investments - current	1,353,445	213,406	1,566,851
Investments - noncurrent	459,021	-	459,021
	<u>\$ 3,081,572</u>	<u>\$ 349,762</u>	<u>\$ 3,431,334</u>

**ORION TOWNSHIP PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2020, was as follows:

	Balance Jan. 1, 2020	Additions	Disposals	Balance Dec. 31, 2020
Capital assets not being depreciated				
Land	\$ 46,036	\$ -	\$ -	\$ 46,036
Works of art	90,390	89,000	-	179,390
Total capital assets not being depreciated	<u>136,426</u>	<u>89,000</u>	<u>-</u>	<u>225,426</u>
Capital assets being depreciated				
Land improvements	90,647	-	-	90,647
Building and improvements	3,282,021	25,388	-	3,307,409
Equipment, furniture, and fixtures	2,561,987	83,755	-	2,645,742
Library books and materials	965,321	151,942	(191,109)	926,154
Total capital assets being depreciated	<u>6,899,976</u>	<u>261,085</u>	<u>(191,109)</u>	<u>6,969,952</u>
Less accumulated depreciation for:				
Land improvements	(69,384)	(8,909)	-	(78,293)
Building and improvements	(3,036,735)	(74,140)	-	(3,110,875)
Equipment, furniture, and fixtures	(2,071,376)	(177,362)	-	(2,248,738)
Library books and materials	(391,718)	(193,064)	191,109	(393,673)
Total accumulated depreciation	<u>(5,569,213)</u>	<u>(453,475)</u>	<u>191,109</u>	<u>(5,831,579)</u>
Net capital assets being depreciated	<u>1,330,763</u>	<u>(192,390)</u>	<u>-</u>	<u>1,138,373</u>
Capital assets, net	<u>\$ 1,467,189</u>	<u>\$ (103,390)</u>	<u>\$ -</u>	<u>\$ 1,363,799</u>

The current depreciation expense of the governmental activities was \$453,475.

**NOTE 4 - COMPENSATED ABSENCES**

The following is a summary of changes in the compensated absences of the Library for the year ended December 31, 2020:

	Balance Jan. 1, 2020	Earned	Used	Balance Dec. 31, 2020	Due Within One Year
Accrued vacation	<u>\$ 53,419</u>	<u>\$ 88,104</u>	<u>\$ (69,920)</u>	<u>\$ 71,603</u>	<u>\$ 71,603</u>

**ORION TOWNSHIP PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - LEASE COMMITMENTS**

In January 2018, the Library entered into a 39-month operating lease agreement for two copiers. The lease requires monthly payments of \$362 which began in January 2018 and continues through March 2021.

In January 2018, the Library entered into a 39-month operating lease agreement for a vending machine. The lease requires monthly payments of \$74 which began in January 2018 and continues through March 2021.

The future minimum lease payments under these noncancelable operating agreements at December 31, 2020, are as follows:

<u>Year Ending December 31,</u>	
2021	<u>\$ 1,307</u>

Rental expense for 2020 under the noncancelable operating lease agreements was \$5,226.

**NOTE 6 - 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 11% 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 \$92,392 and \$17,351, respectively, in 2020. The Library did not have an outstanding liability for contributions at December 31, 2020.

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 7 - OTHER POSTEMPLOYMENT 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 employee beneficiary association to provide medical benefits to eligible retirees, their spouses, and their 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.

**ORION TOWNSHIP PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (continued)**

Summary of Plan Participants

At the December 31, 2020 valuation date, the following employees were covered by the benefit terms:

Retirees and beneficiaries	3
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Effective May 17, 2018, the Plan was amended to close the Plan to new hires. Employees separating from service on or after May 17, 2018, are not eligible to participate in the Plan.

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 and prior to May 17, 2018.
- Has attained the age of 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.

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.

**ORION TOWNSHIP PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (continued)**

Summary of Significant Accounting Policies

For purposes of measuring the net other postemployment 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.

Actuarial Assumptions

The total OPEB liability in the December 31, 2019 actuarial valuation and rolled forward to December 31, 2020, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.0%
Salary increases:	N/A; all participants are retired
Investment rate of return:	3.55% (net of investment expense, including inflation)
Healthcare cost trend rates:	Pre-65 - 8.5% in 2019, 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:	1.93%
Mortality:	Public General 2010 Health Retiree, headcount weighted with MP-2019 improvement scale.

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranged 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, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Comerica money market	6.00%	1.15%
Comerica certificate of deposit	92.00%	1.61%
Comerica checking account	2.00%	0.00%

The Employer, as Plan Sponsor and Investment Fiduciary, has chosen for the Plan asset mix intended to meet or exceed a long-term rate of return of 3.55%.

**ORION TOWNSHIP PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (continued)**

Change in assumptions

The actuarial assumptions were changed during the year as follows:

Reduction in the discount rate from 4.25% to 3.55%.

Change in Net OPEB Liability (Asset)

The change in the net OPEB liability (asset) for the year ended December 31, 2020, is as follows:

	Calculating the Net OPEB Liability (Asset)		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balance at December 31, 2019	\$ 11,168	\$ 351,317	\$ (340,149)
Changes during the year			
Service cost	-	-	-
Interest	331	-	331
Experience (gains)/losses	6,105	-	6,105
Change in benefit terms	-	-	-
Change of assumptions	629	-	629
Contributions - employer	-	-	-
Net investment income	-	5,120	(5,120)
Benefit payments	(6,788)	(6,674)	(114)
Administrative expenses	-	-	-
Other changes	-	-	-
Total changes	277	(1,554)	1,831
Balance at December 31, 2020	\$ 11,445	\$ 349,763	\$ (338,318)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.55%. With no further employer contributions, the retirement plan's fiduciary net position is projected to be sufficient to make 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", not applicable for this plan), 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 is calculated. This discount rate is used to determine the Total OPEB Liability.

**ORION TOWNSHIP PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (continued)**

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability (asset) of the employer, calculated using trend and discount rates 1% higher and lower than base assumptions.

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability (asset)	\$ (337,305)	\$ (338,318)	\$ (339,199)

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

The following presents the net OPEB liability (asset) of the employer, calculated using trend and discount rates 1% higher and lower than base assumptions.

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability (asset)	\$ (339,304)	\$ (338,318)	\$ (337,200)

OPEB Expenses and Deferred Outflows of Resources and Deferred inflows of Resources Related to OPEB

For the year ended December 31, 2020, the Library recognized OPEB expense of (\$1,140). At December 31, 2020, the Library reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Experience (gains)/losses	\$ 5,268	\$ -
Investment earnings (gains)/losses	<u>14,443</u>	<u>-</u>
Total	<u>\$ 19,711</u>	<u>\$ -</u>

**ORION TOWNSHIP PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future years as follows:

<u>Year Ended December 31,</u>	<u>Amount Recognized</u>
2020	\$ 6,696
2021	4,887
2022	3,768
2023	2,880
2024	947
Thereafter	533

**NOTE 8 - 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 9 - PRIOR PERIOD ADJUSTMENT**

Beginning fund balance has been adjusted to correct overstated liabilities. Accrued vacation had been recorded in the General Fund rather than as a long-term obligation.

	<u>General Operating Fund</u>
Beginning fund balance	\$ 2,790,195
Overstated liabilities	<u>53,419</u>
Restated beginning fund balance	<u><u>\$ 2,843,614</u></u>

**ORION TOWNSHIP PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

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 2022 fiscal year.

In May 2020, 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 2023 fiscal year.

**NOTE 11 - 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.

**ORION TOWNSHIP PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 - RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)**

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

<b>Total Fund Balance - Governmental Fund</b>	<b>\$ 3,177,487</b>
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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	\$ 7,195,378	
Accumulated depreciation is	<u>(5,831,579)</u>	
Capital assets, net		1,363,799

Governmental funds report actual net other post employment benefits expenditures for the fiscal year, whereas the governmental activities will recognize the net other post-employment benefits asset as of the measurement date. Other post employment benefits contributions subsequent to the measurement date will be deferred in the statement of net position. These amounts consist of:

Deferred outflows of resources related to net other-post employment benefits asset	19,711	
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Long-term assets are not to represent an economic benefit in the current period and therefore are not reported in the governmental fund balance sheet. Long-term assets at year-end consist of:

Net other post-employment benefits asset	338,318	
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund balance sheet. Long-term liabilities at year-end consist of:

Compensated absences	(71,603)	
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<b>Net Position of Governmental Activities</b>	<b><u>\$ 4,827,712</u></b>
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**ORION TOWNSHIP PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 - RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)**

**Net Change in Fund Balance - Governmental Fund** \$ 333,873

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	\$ 350,085	
Depreciation expense	<u>(453,475)</u>	
Excess of depreciation expense over capital outlay		(103,390)

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	(1,831)	
Change in deferred outflows of resources related to net other post-employment benefits asset	2,971	
(Increase) in compensated absences	<u>(18,184)</u>	
		(17,044)

**Change in Net Position of Governmental Activities** \$ 213,439

**NOTE 12 - UNCERTAINTIES**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**ORION TOWNSHIP PUBLIC LIBRARY  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2020**

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 2,350,000	\$ 2,350,000	\$ 2,387,711	\$ 37,711
State aid	25,000	25,000	28,834	3,834
Local community stabilization	-	-	21,942	21,942
Local governmental grant	-	-	40,247	40,247
Grant income	-	-	47,834	47,834
Penal fines	68,000	68,000	60,956	(7,044)
Library fines	40,000	40,000	9,837	(30,163)
Copier service	8,000	8,000	3,262	(4,738)
Interest and dividend income	20,000	20,000	16,963	(3,037)
Realized and unrealized gain on investments	-	-	23,727	23,727
Donations revenue	25,000	25,000	32,936	7,936
Lost or damaged income	-	-	2,336	2,336
Proceeds from sales of capital assets	-	-	385	385
Miscellaneous income	7,000	7,000	22,809	15,809
<b>TOTAL REVENUES</b>	<b>2,543,000</b>	<b>2,543,000</b>	<b>2,699,779</b>	<b>156,779</b>
<b>EXPENDITURES</b>				
Current				
Recreation and culture				
Salaries	1,420,000	1,384,000	1,301,835	82,165
Payroll taxes, employee benefits, and employee pension contributions	380,000	350,000	340,519	9,481
Supplies	65,000	55,500	46,729	8,771
Automation	135,000	132,500	119,097	13,403
Library books and materials	230,000	210,000	192,133	17,867
Promotion, publishing, and printing	25,000	17,000	14,397	2,603
Telephone	8,000	4,000	3,280	720
Utilities	52,000	45,000	36,100	8,900
Repairs and maintenance	45,000	45,000	32,601	12,399
Insurance and workers' compensation	50,000	45,000	42,811	2,189
Transportation	7,000	3,000	2,099	901
Education, training, and dues	30,000	15,000	11,111	3,889
Professional and contractual services	35,000	60,000	56,593	3,407
Donation expense	25,000	32,500	31,742	758
Grant expense	-	6,000	4,378	1,622
Miscellaneous expense	7,500	3,500	1,685	1,815
Capital improvements	28,500	135,000	128,796	6,204
<b>TOTAL EXPENDITURES</b>	<b>2,543,000</b>	<b>2,543,000</b>	<b>2,365,906</b>	<b>177,094</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>333,873</b>	<b>333,873</b>
Fund balance, beginning of year	2,790,195	2,790,195	2,790,195	-
Prior period adjustment	-	-	53,419	(53,419)
Fund balance, end of year	<b>\$ 2,790,195</b>	<b>\$ 2,790,195</b>	<b>\$ 3,177,487</b>	<b>\$ 280,454</b>

**ORION TOWNSHIP PUBLIC LIBRARY  
POSTEMPLOYMENT MEDICAL BENEFITS PLAN  
SCHEDULE OF CHANGES IN EMPLOYER'S NET OPEB LIABILITY (ASSET) AND RELATED RATIOS  
LAST FOUR MEASUREMENT DATES (ULTIMATELY TEN MEASUREMENT DATES WILL BE DISPLAYED)  
(AMOUNTS WERE DETERMINED AS OF 12/31 OF THE PREVIOUS FISCAL YEAR)**

	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ -	\$ -	\$ 41,298	\$ 39,959
Interest	331	5,860	27,695	25,622
Changes of benefit terms	6,105	-	(670,461)	-
Difference between expected and actual experience	-	(163,782)	1,415	9,056
Changes of assumptions	629	(645)	-	-
Benefit payments including employee refunds	(6,788)	(10,419)	(10,461)	(17,682)
Other	-	-	-	-
Net Change in Total OPEB Liability	277	(168,986)	(610,514)	56,955
Total OPEB Liability, beginning	11,168	180,154	790,668	733,713
Total OPEB Liability, ending	<u>\$ 11,445</u>	<u>\$ 11,168</u>	<u>\$ 180,154</u>	<u>\$ 790,668</u>
Plan Fiduciary Net Position				
Contributions to OPEB trust	\$ -	\$ -	\$ -	\$ 5,521
Retiree contributions	-	-	-	3,620
Net investment income	5,120	7,265	6,291	3,087
Benefit payments, including employee refunds	(6,674)	(10,419)	(10,461)	(17,682)
Administrative expense	-	-	(2,602)	-
Net Change in Plan Fiduciary Net Position	(1,554)	(3,154)	(6,772)	(5,454)
Plan Fiduciary Net Position, beginning	351,317	354,471	361,243	366,697
Plan Fiduciary Net Position, ending	<u>\$ 349,763</u>	<u>\$ 351,317</u>	<u>\$ 354,471</u>	<u>\$ 361,243</u>
Net OPEB Liability (Asset)	<u>\$ (338,318)</u>	<u>\$ (340,149)</u>	<u>\$ (174,317)</u>	<u>\$ 429,425</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	3056%	3146%	197%	46%
Covered Payroll	N/A	N/A	N/A	\$ 779,310
Employer's Net OPEB Liability (Asset) as a percentage of covered payroll	N/A	N/A	N/A	55%

**ORION TOWNSHIP PUBLIC LIBRARY  
 POSTEMPLOYMENT MEDICAL BENEFITS PLAN  
 SCHEDULE OF EMPLOYER'S CONTRIBUTIONS  
 LAST FOUR FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)  
 (AMOUNTS WERE DETERMINED AS OF 12/31 OF THE PREVIOUS FISCAL YEAR)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contributions	\$ -	\$ (20,802)	\$ 85,733	\$ 5,521
Contributions in relation to the actuarially determined contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,521)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,733</u>	<u>\$ -</u>
Covered Payroll	N/A	N/A	N/A	\$ 779,310
Contributions as a percentage of covered employee payroll	0%	0%	0%	0.71%

**ORION TOWNSHIP PUBLIC LIBRARY  
POSTEMPLOYMENT MEDICAL BENEFITS PLAN  
SCHEDULE OF INVESTMENT RETURNS  
LAST FOUR FISCAL YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	-0.24%	-0.89%	-1.87%	-1.49%

**ORION TOWNSHIP PUBLIC LIBRARY  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**NOTE 1 - POSTEMPLOYMENT MEDICAL BENEFITS PLAN**

Changes of benefit terms:        There were no changes in benefit term during the plan year.

Changes in assumptions:        Reduction in the discount rate from 4.25% to 3.55%.