

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

**FINANCIAL STATEMENTS**

**December 31, 2018**

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, 2018, 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 to 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, 2018, 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.

***Emphasis of a Matter - Change in Accounting Principles***

As discussed in Note L to the financial statements, the Library implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, during the year. 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 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*

April 8, 2019

Orion Township Public Library  
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

**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, 2018. 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, 2018:

- The assets of the Library exceeded its liabilities at the end of the most recent fiscal year by \$4,332,157 (net position) at the government-wide level.
- The Library's total net position increased \$555,262 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 \$2,436,145.

**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, 2018

**The Library as a Whole**

The following table shows, in condensed format, the net position as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Current and other assets	\$ 2,881,210	\$ 2,342,078
Capital assets, net	<u>1,704,627</u>	<u>1,966,814</u>
 Total assets	 4,585,837	 4,308,892
<b>Liabilities</b>		
Current liabilities	<u>111,073</u>	<u>93,962</u>
<b>Net Position</b>		
Investment in capital assets	1,704,627	1,966,814
Restricted	77,355	76,984
Unrestricted	<u>2,550,175</u>	<u>2,171,132</u>
 <b>Total net position</b>	 <b><u>\$ 4,332,157</u></b>	 <b><u>\$ 4,214,930</u></b>

The Library's total net position was \$4,332,157 at December 31, 2018, an increase of \$555,262 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 \$2,550,175 at the end of the fiscal year, an increase of \$379,043 over the previous year end. The investment in capital assets was \$1,704,627 a decrease of \$262,187 over the previous fiscal year.

The following table shows the changes in net position during the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
<b>Revenues</b>		
Program revenue:		
Grant income	\$ 2,568	\$ 1,651
Donations revenue	27,274	45,064
In-kind donation	-	32,390
Penal fines	74,014	71,679
Copier service	8,541	9,884
Library fines	37,330	39,133
Lost or damaged income	6,039	7,226
General revenue:		
Property taxes	2,183,146	2,106,506
State shared revenues	26,547	23,783
Interest and dividend income	22,880	17,324
Realized and unrealized gain on investments	12,733	956
Gain from sales of capital assets	-	4,102
Miscellaneous	<u>28,235</u>	<u>6,619</u>
 Total revenues	 2,429,307	 2,366,317
<b>Program Expenses</b>		
Library services/recreation and culture	<u>1,874,045</u>	<u>2,442,510</u>
 <b>Change in Net Position</b>	 <b><u>\$ 555,262</u></b>	 <b><u>\$ (76,193)</u></b>

Orion Township Public Library  
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

**Governmental Activities**

The Library's governmental revenues totaled \$2,429,307 with the greatest revenue source being property taxes. Property taxes make up approximately 90 percent of total governmental revenue.

The Library incurred expenses of \$1,874,045 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 \$114,277 is assigned for future building and capital improvement needs. Additionally, \$77,355 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, 2018, for financial reporting purposes as defined by GASB Statement No. 34.

The Library incurred \$2,232,668 in expenditures for 2018, to operate the library, including \$45,216 in capital improvements, library books, and materials. Revenue totaled \$2,429,307. The net income for the library for 2018 was \$196,639 (revenues over expenditures) creating a fund balance of \$2,436,415.

**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, 2018. The budget was amended for the final time in November 2018. A budgetary comparison statement has been provided as required supplementary information to demonstrate compliance with this budget.

Taxes were \$76,640 higher than 2017's collection primarily due to an increase in property tax values from 2017 to 2018. State aid increased from \$23,783 in 2017 to \$26,547 in 2018 and penal fine revenues increased from \$71,679 in 2017 to \$74,014 in 2018. Total expenditures increased from \$2,163,414 in 2017 to \$2,232,668, this increase is primarily attributed to additional 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 \$1,704,627 invested in land, building and additions, equipment, furniture, and collections (net of accumulated depreciation). \$114,277 of fund balance has been assigned for future building needs. \$77,355 of fund balance has been restricted for the preservation of local history. \$192,957 in library books and materials were added to assets inventory and \$196,035 in books and materials was disposed of. The Library added \$232,502 in current year additions in a broad range of assets including: \$192,957 to the Library's collection, and \$27,047 for a new telephone system. Note C to the financial statements provides additional information regarding capital assets.

Orion Township Public Library

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

**Economic Factors**

The use of the Library was comparable to the previous year, with the number of materials borrowed from the Library increasing slightly from 467,490 in 2017 to 480,108 in 2018 (a 2.7% increase). The number of visits to the Library decreased very little in the past year, with the number of visits dropping from 184,050 in 2017 to 182,913 in 2018 (less than 1% 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 2017 was 1.3798, which provides the 2018 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, 2018

	General Fund	Adjustments	Statement of Net Position
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 2,019,615	\$ -	\$ 2,019,615
Investments	547,657	(198,938)	348,719
Accounts receivable	1,693	-	1,693
Prepays	137,928	-	137,928
Total current assets	2,706,893	(198,938)	2,507,955
Noncurrent assets			
Investments	-	198,938	198,938
Capital assets not being depreciated	-	136,426	136,426
Capital assets, net of accumulated depreciation	-	1,568,201	1,568,201
Net other post-employment benefits asset	-	174,317	174,317
Total noncurrent assets	-0-	2,077,882	2,077,882
<b>TOTAL ASSETS</b>	<b>\$ 2,706,893</b>	<b>1,878,944</b>	<b>4,585,837</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to net other post-employment benefits asset	\$ -0-	17,068	17,068
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	17,487	-	17,487
Accrued vacation	51,999	-	51,999
Accrued wages	25,832	-	25,832
Other accrued liabilities	10,718	-	10,718
Unearned revenues	5,037	-	5,037
<b>TOTAL LIABILITIES</b>	111,073	-0-	111,073
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes held for subsequent period	159,675	-	159,675
<b>FUND BALANCE</b>			
Nonspendable - prepaids	137,928	(137,928)	-0-
Restricted - Ingram Account	77,355	(77,355)	-0-
Assigned for future building needs	114,277	(114,277)	-0-
Unassigned	2,106,585	(2,106,585)	-0-
<b>TOTAL FUND BALANCE</b>	2,436,145	(2,436,145)	-0-
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 2,706,893</b>	<b>-0-</b>	<b>-0-</b>
<b>NET POSITION</b>			
Investment in capital assets		1,704,627	1,704,627
Restricted - Ingram Account		77,355	77,355
Unrestricted		2,550,175	2,550,175
<b>TOTAL NET POSITION</b>		<b>\$ 4,332,157</b>	<b>\$ 4,332,157</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, 2018

	General Fund	Adjustments	Statement of Activities
<b>EXPENDITURES/EXPENSES</b>			
Current			
Recreation and culture			
Salaries	\$ 1,196,797	\$ -	\$ 1,196,797
Payroll taxes, employee benefits, and employee pension contributions	301,496	620,810	(319,314)
Supplies	55,247	-	55,247
Automation	107,867	-	107,867
Library books and materials	227,748	(192,957)	34,791
Promotion, publishing, and printing	32,878	-	32,878
Telephone	10,489	-	10,489
Utilities	45,961	-	45,961
Repairs and maintenance	36,812	-	36,812
Insurance and workers' compensation	40,078	-	40,078
Transportation	4,583	-	4,583
Education, training, and dues	23,621	-	23,621
Professional and contractual services	61,903	-	61,903
Property tax tribunals	851	-	851
Donation expense	27,280	-	27,280
Grant expense	2,568	-	2,568
Miscellaneous expense	11,273	-	11,273
Capital improvements	45,216	(39,545)	5,671
Depreciation	-	494,689	494,689
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>2,232,668</b>	<b>882,997</b>	<b>1,874,045</b>
<b>PROGRAM REVENUES</b>			
Grant income	2,568	-	2,568
Donations	27,274	-	27,274
Penal fines	74,014	-	74,014
Copier service	8,541	-	8,541
Library fines	37,330	-	37,330
Lost or damaged income	6,039	-	6,039
<b>TOTAL PROGRAM REVENUES</b>	<b>155,766</b>	<b>-0-</b>	<b>155,766</b>
<b>NET PROGRAM EXPENSE</b>	<b>(2,076,902)</b>	<b>(882,997)</b>	<b>(1,718,279)</b>
<b>GENERAL REVENUES</b>			
Property taxes	2,183,146	-	2,183,146
State aid	26,547	-	26,547
Interest and dividend income	22,880	-	22,880
Realized and unrealized gain on investments	12,733	-	12,733
Miscellaneous income	28,235	-	28,235
<b>TOTAL GENERAL REVENUES</b>	<b>2,273,541</b>	<b>-0-</b>	<b>2,273,541</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>196,639</b>	<b>196,639</b>	<b>-0-</b>
<b>CHANGE IN NET POSITION</b>	<b>-0-</b>	<b>(686,358)</b>	<b>555,262</b>
Fund Balance/Restated net position			
Beginning of the year	2,239,506	1,537,389	3,776,895
End of the year	<u>\$ 2,436,145</u>	<u>\$ 654,392</u>	<u>\$ 4,332,157</u>

See accompanying notes to financial statements.

Orion Township Public Library  
STATEMENT OF FIDUCIARY NET POSITION  
December 31, 2018

	<u>Retiree Health Care Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 354,471
Prepays	<u>2,608</u>
TOTAL ASSETS	357,079
LIABILITIES	<u>-</u>
NET POSITION	
Restricted for post-employment medical benefits	<u><u>\$ 357,079</u></u>

Orion Township Public Library

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended December 31, 2018

	<u>Retiree Health Care Trust Fund</u>
ADDITIONS	
Interest and dividend income	\$ 6,292
DEDUCTIONS	
Benefits	<u>13,174</u>
CHANGE IN NET POSITION	(6,882)
Net position, beginning of year	<u>363,961</u>
Net position, end of year	<u><u>\$ 357,079</u></u>

Orion Township Public Library

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**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 J.

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, 2018

**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 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 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, 2018

**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 31<sup>st</sup>.

5. Cash and Cash Equivalents

Cash and cash equivalents consist 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 mutual funds and certificates of deposit with maturities of greater than ninety (90) days. Mutual funds and 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, 2018, 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, 2018, property taxes levied during December of 2017. The millage rate levied for 2017 was 1.3798. The total taxable value for the 2017 levy for the property within Orion Township was \$1,552,241,889.

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, 2018

**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.

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 and property taxes held for subsequent periods. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

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.

Orion Township Public Library

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**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.
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, 2018, were comprised of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
<b>PRIMARY GOVERNMENT</b>		
Checking accounts	\$ 427,725	\$ 444,960
Savings accounts	41	41
Money market accounts	1,590,095	1,590,095
Certificates of deposit	<u>547,657</u>	<u>547,656</u>
Total primary government	2,565,518	2,582,752
<b>FIDUCIARY FUNDS</b>		
Checking accounts	1,491	1,491
Certificates of deposit	<u>311,968</u>	<u>311,968</u>
Total fiduciary funds	<u>313,459</u>	<u>313,459</u>
	<u><u>\$ 2,878,977</u></u>	<u><u>\$ 2,896,211</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, 2018, the Library's accounts were insured by the Federal Deposit Insurance Corporation (FDIC) for \$2,694,174. The remaining amount of \$202,037 was uninsured and uncollateralized.

Orion Township Public Library  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE B: DEPOSITS - CONTINUED**

Investments

GAAP has established a hierarchy that prioritizes the inputs to valuation techniques giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements) when market prices are not readily available or reliable.

The three levels of the hierarchy under GAAP are described below.

- 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 following is a market value summary by the level of inputs used, as of December 31, 2018, in evaluating the Library's investments carried at fair value. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities.

	Fair Value Measurements			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments:				
Mutual Funds	\$ 41,012	\$ -	\$ -	\$ 41,012

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.

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.

Orion Township Public Library  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE B: DEPOSITS - CONTINUED**

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.

The fair value of investments in a single issuer that represents five (5) percent or more of total investments at December 31, 2018, are as follows:

Comerica Government Cash Investment Fund	\$ 41,012
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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, 2018:

	Governmental Activities	Fiduciary Fund	Total
Cash and cash equivalents	\$ 2,019,615	\$ 1,491	\$ 2,021,106
Certificates of deposit	547,657	352,980	900,637
	\$ 2,567,272	\$ 354,471	\$ 2,921,743

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 \$1,754 in petty cash.

Orion Township Public Library  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE C: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2018, was as follows:

	Balance Jan. 1, 2018	Additions	Disposals	Balance Dec. 31, 2018
Capital assets not being depreciated				
Land	\$ 46,036	\$ -	\$ -	\$ 46,036
Works of art	90,390	-	-	90,390
Total capital assets not being depreciated	136,426	-0-	-0-	136,426
Capital assets being depreciated				
Land improvements	75,097	-	-	75,097
Building and improvements	3,260,264	4,930	-	3,265,194
Equipment, furniture, and fixtures	2,582,033	34,615	(90,107)	2,526,541
Library books and materials	982,611	192,957	(196,035)	979,533
Total capital assets being depreciated	6,900,005	232,502	(286,142)	6,846,365
Less accumulated depreciation for:				
Land improvements	(52,692)	(7,359)	-	(60,051)
Building and improvements	(2,824,856)	(104,515)	-	(2,929,371)
Equipment, furniture, and fixtures	(1,799,883)	(186,109)	89,923	(1,896,069)
Library books and materials	(392,186)	(196,522)	196,035	(392,673)
Total accumulated depreciation	(5,069,617)	(494,505)	285,958	(5,278,164)
Net capital assets being depreciated	1,830,388	(262,003)	(184)	1,568,201
Capital assets, net	<u>\$ 1,966,814</u>	<u>\$ (262,003)</u>	<u>\$ (184)</u>	<u>\$ 1,704,627</u>

The current depreciation expense of the governmental activities of \$494,505 has been adjusted by \$184 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 January 2018, the Library entered into a thirty-nine (39) month operating lease agreement for two (2) 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 thirty-nine (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.

Orion Township Public Library  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE D: LEASE COMMITMENTS - CONTINUED**

The future minimum lease payments under these noncancellable operating agreements at December 31, 2018, are as follows:

<u>Year Ending December 31,</u>	
2019	\$ 5,226
2020	5,226
2021	<u>1,307</u>
	<u>\$ 11,759</u>

Rental expense for 2018 under the noncancellable operating lease agreements was \$5,760.

**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 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 \$76,230 and \$19,007, respectively, in 2018. The Library did not have an outstanding liability for contributions at December 31, 2018.

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 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 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>21</u>

Orion Township Public Library  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE F: OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

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.

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 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, 2017 actuarial valuation 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: 3.35%

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, 2018

**NOTE F: OTHER POSTEMPLOYMENT 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, 2018 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	47.00%	1.15%
Comerica certificate of deposit	50.00%	1.61%
Comerica checking account	3.00%	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 3.35%.

Change in Net OPEB Liability (Asset)

The change in the net OPEB liability (asset) for the year ended December 31, 2018, is as follows:

<u>Calculating the Net OPEB Liability (Asset)</u>			
	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (Asset) (a) - (b)</u>
Balance at December 31, 2017	\$ 790,668	\$ 361,243	\$ 429,425
Changes during the year			
Service cost	41,298	-	41,298
Interest	27,695	-	27,695
Experience (gains)/losses	1,415	-	1,415
Change in plan provisions	(670,461)	-	(670,461)
Net investment income	-	6,291	(6,291)
Benefit payments	(10,461)	(10,461)	-0-
Administrative expenses	-	(2,602)	2,602
Total changes	<u>(610,514)</u>	<u>(6,772)</u>	<u>(603,742)</u>
Balance at December 31, 2018	<u>\$ 180,154</u>	<u>\$ 354,471</u>	<u>\$ (174,317)</u>



Orion Township Public Library  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE F: OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

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 employer contributions will be made at rates equal to the most recent recommended contribution expressed as a percentage of covered payroll. Based on those assumptions, the Plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan participants. 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 is calculated. This discount rate is used to determine the total OPEB liability. The discount rate used for December 31, 2017, was 3.35%.

Sensitivity of the Net OPEB Liability 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.

	1% Decrease	Current Rate	1% Increase
Net OPEB liability (asset)	\$ (154,055)	\$ (174,317)	\$ (191,505)

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.

	1% Decrease	Current Rate	1% Increase
Net OPEB liability (asset)	\$ (194,975)	\$ (174,317)	\$ (152,681)

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

For the year ended December 31, 2018, the Library recognized OPEB expense of (\$620,810). At December 31, 2018, the Library reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience (gains)/losses	\$ 7,162	\$ -
Investment earnings (gains)/losses	9,906	-
Total	\$ 17,068	\$ -0-

Orion Township Public Library  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

**NOTE F: OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

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

Year Ended December 31,	Amount Recognized
2019	\$ 3,876
2020	2,876
2021	3,876
2022	2,066
2023	947
Thereafter	2,427

**NOTE G: RESTATEMENT OF NET POSITION**

Beginning net position for governmental activities has been restated to reflect the implementation of GASB Statement No. 75.

	Governmental Activities
Beginning net position	\$ 4,214,930
Net OPEB asset (GASB 45)	(8,610)
Net OPEB liability (GASB 75)	(429,425)
Restated beginning net position	\$ 3,776,895

**NOTE H: 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE I: 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.

**NOTE J: 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  
December 31, 2018

**NOTE J: 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>\$ 2,436,145</b>
---	---------------------

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	\$ 6,982,791	
Accumulated depreciation is	<u>(5,278,164)</u>	
Capital assets, net		1,704,627

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	17,068
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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 funds balance sheet. Long-term assets at year-end consist of:

Net other post-employment benefits asset	<u>174,317</u>
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<b>Net position of governmental activities</b>	<b><u><u>\$ 4,332,157</u></u></b>
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Orion Township Public Library  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE J: RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONTINUED**

**Net change in fund balance - governmental fund** \$ 196,639

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	\$ 232,502	
Depreciation expense	<u>(494,689)</u>	
Excess of depreciation expense over capital outlay		(262,187)

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:

Increase in other post-employment benefits asset	603,742	
Change in deferred outflows of resources related to net other post-employment benefits asset	<u>17,068</u>	
		<u>620,810</u>

**Change in net position of governmental activities** \$ 555,262

**NOTE K: ORION TOWNSHIP TAX ABATEMENTS**

Library property tax revenues were reduced by \$2,976 under agreements entered into by Orion Township during the year ended December 31, 2018.

**NOTE L: CHANGE IN ACCOUNTING PRINCIPLES**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented during the year. This statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This 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. This statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI).

Orion Township Public Library

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE M: 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 2020 fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**

Orion Township Public Library

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2018

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Property taxes	\$2,100,000	\$2,100,000	\$2,183,146	\$ 83,146
State aid	20,000	20,000	26,547	6,547
Grant income	-	-	2,568	2,568
Penal fines	65,000	65,000	74,014	9,014
Copier service	8,000	8,000	8,541	541
Interest and dividend income	15,000	15,000	22,880	7,880
Realized and unrealized gain on investments	-	-	12,733	12,733
Donations revenue	25,000	25,000	27,274	2,274
Library fines	50,000	50,000	37,330	(12,670)
Lost or damaged income	-	-	6,039	6,039
Miscellaneous income	7,000	7,000	28,235	21,235
<b>TOTAL REVENUES</b>	<b>2,290,000</b>	<b>2,290,000</b>	<b>2,429,307</b>	<b>139,307</b>
<b>EXPENDITURES</b>				
Current				
Recreation and culture				
Salaries	1,340,000	1,282,000	1,196,797	85,203
Payroll, payroll taxes, employee benefits, and employee pension contributions	350,000	350,000	301,496	48,504
Supplies	71,000	71,000	55,247	15,753
Automation	125,000	125,000	107,867	17,133
Library books and materials	230,000	235,000	227,748	7,252
Promotion, publishing, and printing	36,000	36,000	32,878	3,122
Telephone	8,000	13,000	10,489	2,511
Utilities	65,000	65,000	45,961	19,039
Repairs and maintenance	42,000	42,000	36,812	5,188
Insurance and workers' compensation	47,000	47,000	40,078	6,922
Transportation	7,000	7,000	4,583	2,417
Education, training, and dues	30,000	30,000	23,621	6,379
Professional and contractual services	35,000	70,000	61,903	8,097
Property tax tribunals	10,000	10,000	851	9,149
Donation expense	-	-	27,280	(27,280)
Grant expense	-	3,000	2,568	432
Miscellaneous expense	2,500	12,500	11,273	1,227
Capital improvements	91,500	91,500	45,216	46,284
<b>TOTAL EXPENDITURES</b>	<b>2,490,000</b>	<b>2,490,000</b>	<b>2,232,668</b>	<b>257,332</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(200,000)</b>	<b>(200,000)</b>	<b>196,639</b>	<b>396,639</b>
Fund balance, beginning of year	2,239,506	2,239,506	2,239,506	-0-
Fund balance, end of year	<u>\$2,039,506</u>	<u>\$2,039,506</u>	<u>\$2,436,145</u>	<u>\$ 396,639</u>



Orion Township Public Library

Postemployment Medical Benefits Plan

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

Last Two Measurement Dates (Ultimately ten measurement dates will be displayed)  
 (Amounts were determined as of 12/31 of the previous fiscal year)

	<u>2018</u>	<u>2017</u>
Total OPEB Liability		
Service cost	\$ 41,298	\$ 39,959
Interest	27,695	25,622
Changes of benefit terms	(670,461)	-
Difference between expected and actual experience	1,415	9,056
Benefit payments including employee refunds	<u>(10,461)</u>	<u>(17,682)</u>
Net Change in Total OPEB Liability	(610,514)	56,955
Total OPEB Liability, beginning	<u>790,668</u>	<u>733,713</u>
Total OPEB Liability, ending	<u><u>\$ 180,154</u></u>	<u><u>\$ 790,668</u></u>
Plan Fiduciary Net Position		
Contributions to OPEB trust	\$ -	\$ 5,521
Retiree contributions	-	3,620
Net investment income	6,291	3,087
Benefit payments, including employee refunds	(10,461)	(17,682)
Administrative expense	<u>(2,602)</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	(6,772)	(5,454)
Plan Fiduciary Net Position, beginning	<u>361,243</u>	<u>366,697</u>
Plan Fiduciary Net Position, ending	<u><u>\$ 354,471</u></u>	<u><u>\$ 361,243</u></u>
Net OPEB Liability (Asset)	<u><u>\$ (174,317)</u></u>	<u><u>\$ 429,425</u></u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	197%	46%
Covered Employee Payroll	N/A	\$ 779,310
Employer's Net OPEB Liability as a percentage of covered employee payroll	N/A	55%

Orion Township Public Library

Postemployment Medical Benefits Plan

SCHEDULE OF EMPLOYER'S CONTRIBUTIONS

Last Two Fiscal Years (Ultimately ten fiscal years will be displayed)  
 (Amounts were determined as of 12/31 of the previous fiscal year)

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

Orion Township Public Library

Postemployment Medical Benefits Plan

SCHEDULE OF INVESTMENT RETURNS

Last Two Fiscal Years (Ultimately ten years will be displayed)

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

Orion Township Public Library

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended December 31, 2018

**NOTE A: POSTEMPLOYMENT MEDICAL BENEFITS PLAN**

Changes of benefit terms: Any employee separating from service with the Library on or after May 17, 2018 shall not become a retiree and shall not be eligible to participate in the postemployment medical benefits plan.

Changes in assumptions: There were no changes in assumptions during the plan year.