

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

**FINANCIAL STATEMENTS**

**December 31, 2016**

Orion Township Public Library

TABLE OF CONTENTS

December 31, 2016

|   | <u>Page</u> |
|---|-------------|
| INDEPENDENT AUDITOR'S REPORT  | i-ii        |
| MANAGEMENT'S DISCUSSION AND ANALYSIS  | iii-vi      |
| BASIC FINANCIAL STATEMENTS  |             |
| Governmental Fund Balance Sheet and Statement of Net Position   | 1           |
| Statement of Governmental Fund Revenues, Expenditures, and<br>Changes in Fund Balance and Statement of Activities | 2           |
| Statement of Fiduciary Net Position   | 3           |
| Statement of Changes in Fiduciary Net Position  | 4           |
| Notes to Financial Statements   | 5-17        |
| REQUIRED SUPPLEMENTARY INFORMATION  |             |
| Budgetary Comparison Schedule - General Fund  | 18          |
| Schedules of Funding Progress and Employer Contributions -<br>Post-employment Medical Benefits Plan               | 19          |

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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, 2016, 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, 2016, 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 other post-employment benefits 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.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

March 13, 2017

Orion Township Public Library

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

**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, 2016. 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, 2016:

- The assets of the Library exceeded its liabilities at the end of the most recent fiscal year by \$4,291,123 (net position) at the government-wide level.
- The Library's total net position decreased \$47,638 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 \$2,068,993.

**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, 2016

**The Library as a Whole**

The following table shows, in condensed format, the net position as of December 31, 2016 and 2015:

|                              | <u>2016</u>                | <u>2015</u>                |
|------------------------------|----------------------------|----------------------------|
| <b>Assets</b>                |                            |                            |
| Current and other assets     | \$ 2,271,482               | \$ 2,502,910               |
| Capital assets, net          | <u>2,213,281</u>           | <u>1,943,315</u>           |
| Total assets                 | 4,484,763                  | 4,446,225                  |
| <b>Liabilities</b>           |                            |                            |
| Current liabilities          | <u>193,640</u>             | <u>107,464</u>             |
| <b>Net Position</b>          |                            |                            |
| Investment in capital assets | 2,213,281                  | 1,943,315                  |
| Restricted                   | 89,578                     | 75,897                     |
| Unrestricted                 | <u>1,988,264</u>           | <u>2,319,549</u>           |
| <b>Total net position</b>    | <b><u>\$ 4,291,123</u></b> | <b><u>\$ 4,338,761</u></b> |

The Library's total net position was \$4,291,123 at December 31, 2016, a decrease of \$47,638 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 \$1,988,264 at the end of the fiscal year, a decrease of \$331,285 over the previous year end. The investment in capital assets was \$2,213,281 an increase of \$269,966 over the previous fiscal year.

The following table shows the changes in net position during the years ended December 31, 2016 and 2015:

|  | <u>2016</u>               | <u>2015</u>               |
|--|---------------------------|---------------------------|
| <b>Revenues</b>                                    |                           |                           |
| Program revenue:                                   |                           |                           |
| Grant income                                       | \$ 3,380                  | \$ 437                    |
| Donations revenue                                  | 89,866                    | 54,762                    |
| In-kind donation                                   | -                         | 58,000                    |
| Penal fines  | 74,863                    | 71,518                    |
| Copier service                                     | 9,482                     | 8,099                     |
| Library fines                                      | 46,227                    | 47,900                    |
| Lost or damaged income                             | 11,073                    | 5,262                     |
| General revenue:                                   |                           |                           |
| Property taxes                                     | 2,021,824                 | 1,937,311                 |
| State shared revenues                              | 24,062                    | 21,671                    |
| Interest and dividend income                       | 17,126                    | 13,761                    |
| Realized and unrealized gain (loss) on investments | 6,580                     | (472)                     |
| Proceeds/gain from sales of capital assets         | 5,068                     | 4,127                     |
| Miscellaneous                                      | <u>6,070</u>              | <u>5,075</u>              |
| Total revenues                                     | 2,315,621                 | 2,227,451                 |
| <b>Program Expenses</b>                            |                           |                           |
| Library services/recreation and culture            | <u>2,363,259</u>          | <u>2,315,271</u>          |
| <b>Change in Net Position</b>                      | <b><u>\$ (47,638)</u></b> | <b><u>\$ (87,820)</u></b> |

Orion Township Public Library

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

**Governmental Activities**

The Library's governmental revenues totaled \$2,315,621 with the greatest revenue source being property taxes. Property taxes make up approximately 87 percent of total governmental revenue.

The Library incurred expenses of \$2,363,259 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 \$218,603 is assigned for future building and capital improvement needs. Additionally, \$89,578 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, 2016, for financial reporting purposes as defined by GASB Statement No. 34.

The Library incurred \$2,632,956 in expenditures for 2016, to operate the library, including \$768,511 in capital improvements, library books, and materials. Revenue totaled \$2,315,621. The net loss for the library for 2016 was \$317,335 (expenditures over revenues) creating a fund balance of \$2,068,993.

**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, 2016. The budget was amended for the final time in November 2016. A budgetary comparison statement has been provided as required supplementary information to demonstrate compliance with this budget.

Taxes were \$84,513 higher than 2015's collection, due to an increase in property values. This small increase implies that the economy in Orion Township has started to stabilize, but most of the Library's operating expenditures remained about the same as in 2015. Also, \$1,930 had to be returned to the Township for Michigan Tax Tribunal Refunds. Revenues previously accrued by interest on investments continue to be much lower, due to the state of the economy. State aid increased from \$21,671 in 2015 to \$24,062 in 2016. 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 expenses closely, but we are also working on implementing initiatives identified in our strategic plan, which includes some capital expenses for internal space renovations.

**Capital Assets**

At the end of the fiscal year, the Library had \$2,213,281 invested in land, building and additions, equipment, furniture, and collections (net of accumulated depreciation). \$218,603 of fund balance has been assigned for future building needs. \$89,578 of fund balance has been restricted for the preservation of local history. \$203,986 in library books and materials were added to assets inventory and \$185,654 in books and materials was disposed of. As mentioned earlier, \$549,394 was spent on capital improvements. Note C to the financial statements provides additional information regarding capital assets.

Orion Township Public Library

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

**Economic Factors**

The use of the Library was comparable to the previous year, with the number of materials borrowed from the Library only decreasing slightly from 502,976 in 2015 to 485,088 in 2016 (a 3.56% decrease). The number of visits to the Library also remained comparable to 2015, with the number of visits decreasing only from 199,466 in 2015 to 195,745 in 2016 (a 1.87% 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, the Board votes every summer during a public meeting to adjust the millage based on the requirements from the Headlee Amendment. The Library's operating millage rate that was levied in December 2016 was 1.398.

**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, 2016

|   | <u>General<br/>Fund</u> | <u>Adjustments</u> | <u>Statement of<br/>Net Position</u> |
|---|-------------------------|--------------------|--------------------------------------|
| <b>ASSETS</b>                                   |                         |                    |                                      |
| Current assets                                  |                         |                    |                                      |
| Cash and cash equivalents                       | \$ 1,061,104            | \$ -               | \$ 1,061,104                         |
| Investments                                     | 1,077,189               | (809,120)          | 268,069                              |
| Accounts receivable                             | 4,216                   | -                  | 4,216                                |
| Prepays   | 120,124                 | -                  | 120,124                              |
|   | <u>2,262,633</u>        | <u>(809,120)</u>   | <u>1,453,513</u>                     |
| Total current assets                            |                         |                    |                                      |
| Noncurrent assets                               |                         |                    |                                      |
| Investments                                     | -                       | 809,120            | 809,120                              |
| Capital assets not being depreciated            | -                       | 104,036            | 104,036                              |
| Capital assets, net of accumulated depreciation | -                       | 2,109,245          | 2,109,245                            |
| Net other post-employment benefits asset        | -                       | 8,849              | 8,849                                |
|   | <u>-0-</u>              | <u>3,031,250</u>   | <u>3,031,250</u>                     |
| Total noncurrent assets                         |                         |                    |                                      |
| <b>TOTAL ASSETS</b>                             |                         |                    |                                      |
|   | <u>\$ 2,262,633</u>     | <u>2,222,130</u>   | <u>4,484,763</u>                     |
| <b>LIABILITIES</b>                              |                         |                    |                                      |
| Current liabilities                             |                         |                    |                                      |
| Accounts payable                                | \$ 118,124              | -                  | 118,124                              |
| Accrued vacation                                | 52,990                  | -                  | 52,990                               |
| Accrued wages                                   | 22,526                  | -                  | 22,526                               |
|   | <u>193,640</u>          | <u>-0-</u>         | <u>193,640</u>                       |
| TOTAL LIABILITIES                               |                         |                    |                                      |
| <b>FUND BALANCE</b>                             |                         |                    |                                      |
| Nonspendable - prepays                          | 120,124                 | (120,124)          | -0-                                  |
| Restricted - Ingram Account                     | 89,578                  | (89,578)           | -0-                                  |
| Assigned for future building needs              | 218,603                 | (218,603)          | -0-                                  |
| Unassigned                                      | 1,640,688               | (1,640,688)        | -0-                                  |
|   | <u>2,068,993</u>        | <u>(2,068,993)</u> | <u>-0-</u>                           |
| TOTAL FUND BALANCE                              |                         |                    |                                      |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b>       |                         |                    |                                      |
|   | <u>\$ 2,262,633</u>     | <u>-0-</u>         | <u>-0-</u>                           |
| <b>NET POSITION</b>                             |                         |                    |                                      |
| Investment in capital assets                    |                         | 2,213,281          | 2,213,281                            |
| Restricted - Ingram Account                     |                         | 89,578             | 89,578                               |
| Unrestricted                                    |                         | 1,988,264          | 1,988,264                            |
|   |                         | <u>4,291,123</u>   | <u>4,291,123</u>                     |
| TOTAL NET POSITION                              |                         |                    |                                      |

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, 2016

|   | General<br>Fund    | Adjustments      | Statement of<br>Activities |
|---|--------------------|------------------|----------------------------|
| <b>EXPENDITURES/EXPENSES</b>  |                    |                  |                            |
| Current   |                    |                  |                            |
| Recreation and culture  |                    |                  |                            |
| Salaries  | \$ 1,147,275       | \$ -             | \$ 1,147,275               |
| Payroll taxes, employee benefits,<br>and employee pension contributions | 286,590            | -                | 286,590                    |
| Supplies  | 52,452             | -                | 52,452                     |
| Automation  | 117,914            | -                | 117,914                    |
| Library books and materials   | 217,290            | (203,986)        | 13,304                     |
| Promotion, publishing, and printing                                     | 30,792             | -                | 30,792                     |
| Telephone   | 8,160              | -                | 8,160                      |
| Utilities   | 48,380             | -                | 48,380                     |
| Repairs and maintenance   | 35,635             | -                | 35,635                     |
| Insurance and workers' compensation                                     | 41,877             | -                | 41,877                     |
| Transportation  | 4,821              | -                | 4,821                      |
| Education, training, and dues   | 18,348             | -                | 18,348                     |
| Professional and contractual services                                   | 32,684             | -                | 32,684                     |
| Property tax tribunals  | 1,930              | -                | 1,930                      |
| Donation expense  | 27,356             | -                | 27,356                     |
| Grant expense   | 3,404              | -                | 3,404                      |
| Decrease in other post-employment benefits asset                        | -                  | 269              | 269                        |
| Miscellaneous expense   | 6,214              | -                | 6,214                      |
| Capital improvements  | 551,834            | (549,394)        | 2,440                      |
| Depreciation  | -                  | 483,414          | 483,414                    |
| <b>TOTAL EXPENDITURES/EXPENSES</b>                                      | <b>2,632,956</b>   | <b>(269,697)</b> | <b>2,363,259</b>           |
| <b>PROGRAM REVENUES</b>   |                    |                  |                            |
| Grant income  | 3,380              | -                | 3,380                      |
| Donations   | 89,866             | -                | 89,866                     |
| Penal fines   | 74,863             | -                | 74,863                     |
| Copier service  | 9,482              | -                | 9,482                      |
| Library fines   | 46,227             | -                | 46,227                     |
| Lost or damaged income  | 11,073             | -                | 11,073                     |
| <b>TOTAL PROGRAM REVENUES</b>   | <b>234,891</b>     | <b>-0-</b>       | <b>234,891</b>             |
| <b>NET PROGRAM EXPENSE</b>  | <b>(2,398,065)</b> | <b>269,697</b>   | <b>(2,128,368)</b>         |
| <b>GENERAL REVENUES</b>   |                    |                  |                            |
| Property taxes  | 2,021,824          | -                | 2,021,824                  |
| State aid   | 24,062             | -                | 24,062                     |
| Interest and dividend income  | 17,126             | -                | 17,126                     |
| Realized and unrealized gain on investments                             | 6,580              | -                | 6,580                      |
| Proceeds/gain from sales of capital assets                              | 5,068              | -                | 5,068                      |
| Miscellaneous income  | 6,070              | -                | 6,070                      |
| <b>TOTAL GENERAL REVENUES</b>   | <b>2,080,730</b>   | <b>-0-</b>       | <b>2,080,730</b>           |
| <b>NET CHANGE IN FUND BALANCE</b>                                       | <b>(317,335)</b>   | <b>(317,335)</b> | <b>-0-</b>                 |
| <b>CHANGE IN NET POSITION</b>   | <b>-0-</b>         | <b>(47,638)</b>  | <b>(47,638)</b>            |
| Fund Balance/Net position   |                    |                  |                            |
| Beginning of the year, as restated                                      | 2,386,328          | 1,952,433        | 4,338,761                  |
| End of the year   | \$ 2,068,993       | \$ 2,222,130     | \$ 4,291,123               |

See accompanying notes to financial statements.

Orion Township Public Library  
STATEMENT OF FIDUCIARY NET POSITION  
December 31, 2016

|   | <u>Retiree<br/>Health Care<br/>Trust Fund</u> |
|---|---|
| ASSETS  |   |
| Cash and cash equivalents                       | \$ 366,697                                    |
| Prepays   | <u>2,603</u>                                  |
| TOTAL ASSETS                                    | 369,300                                       |
| LIABILITIES                                     | <u>-</u>                                      |
| NET POSITION                                    |   |
| Restricted for post-employment medical benefits | <u><u>\$ 369,300</u></u>                      |

See accompanying notes to financial statements.

Orion Township Public Library

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended December 31, 2016

|                                 | <u>Retiree<br/>Health Care<br/>Trust Fund</u> |
|---------------------------------|---|
| ADDITIONS                       |   |
| Employer contributions          | \$ 5,521                                      |
| Interest and dividend income    | <u>2,041</u>                                  |
| TOTAL ADDITIONS                 | 7,562   |
| DEDUCTIONS                      |   |
| Benefits                        | 9,031   |
| Administrative expenses         | <u>1,051</u>                                  |
| TOTAL DEDUCTIONS                | <u>10,082</u>                                 |
| CHANGE IN NET POSITION          | (2,520)                                       |
| Net position, beginning of year | <u>371,820</u>                                |
| Net position, end of year       | <u><u>\$ 369,300</u></u>                      |

See accompanying notes to financial statements.

Orion Township Public Library

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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

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

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

1. Reporting Entity

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

2. Basis of Presentation and Measurement Focus

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The statement of activities presents the direct functional expenses of the Library and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest and all local government appropriations and shows how governmental functions are either self-financing or supported by the general revenues of the Library.

FUND FINANCIAL STATEMENTS

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

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

Orion Township Public Library

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**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.

The Library reports unearned revenue on its governmental fund balance sheet and statement of net position. Unearned revenue arises when the Library receives resources before it has legal claim to them and unavailable revenue arises when it is not available to be used to pay liabilities of the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for unearned revenue is removed from the balance sheet and statement of net position, respectively, and revenue is recognized.

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.

Orion Township Public Library

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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

4. Budgets and Budgetary Accounting - continued

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

6. Investments

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

7. Accounts Receivable

Accounts receivable are stated at the outstanding principal balance adjusted for any charge-offs. Management closely monitors outstanding balances and writes off receivables when the receivable is deemed uncollectible. Management believes any realization losses on the outstanding balance at December 31, 2016, 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, 2016, property taxes levied during December of 2015. The millage rate levied for 2015 was 1.4135. The total taxable value for the 2015 levy for the property within Orion Township was \$1,436,816,173.

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.



Orion Township Public Library

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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

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.

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

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

11. Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet and statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of fund balance/net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that time.

In addition to liabilities, the balance sheet and statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance/net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

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

12. Accrued Vacation

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

13. Comparative Data

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

Orion Township Public Library

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**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, 2016, were comprised of the following:

|                           | Carrying<br>Amount  | Bank<br>Balance     |
|---------------------------|---------------------|---------------------|
| <b>PRIMARY GOVERNMENT</b> |                     |                     |
| Checking accounts         | \$ 105,224          | \$ 174,298          |
| Savings accounts          | 166,727             | 166,727             |
| Money market accounts     | 787,453             | 786,597             |
| Certificates of deposit   | 1,077,189           | 1,077,189           |
| Total primary government  | 2,136,593           | 2,204,811           |
| <b>FIDUCIARY FUNDS</b>    |                     |                     |
| Checking account          | 13,094              | 13,094              |
| Money market account      | 180,638             | 180,638             |
| Certificate of deposit    | 172,965             | 172,965             |
| Total fiduciary funds     | 366,697             | 366,697             |
|                           | <b>\$ 2,503,290</b> | <b>\$ 2,571,508</b> |

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, 2016, the Library's accounts were fully insured by the Federal Deposit Insurance Corporation.

Orion Township Public Library

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE B: DEPOSITS - CONTINUED**

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.

Interest Rate Risk

The Library will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designating its investment portfolio with the objective of obtaining a rate of return through the economic cycles considering risk constraints and cash flow characteristics.

Concentration of Credit Risk

The Library will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Library's investment in a single issuer by limiting investments to authorized types of securities, pre-qualifying financial institutions with which the Library will do business, and diversifying the investment portfolio.

Foreign Currency Risk

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

The following summarizes the categorization of these amounts as of December 31, 2016:

|                           | <u>Governmental<br/>Activities</u> | <u>Fiduciary<br/>Fund</u> | <u>Total</u>        |
|---------------------------|------------------------------------|---------------------------|---------------------|
| Cash and cash equivalents | \$ 1,061,104                       | \$ 366,697                | \$ 1,427,801        |
| Investments               |                                    |                           |                     |
| Certificates of deposit   | <u>1,077,189</u>                   | <u>-</u>                  | <u>1,077,189</u>    |
|                           | <u>\$ 2,138,293</u>                | <u>\$ 366,697</u>         | <u>\$ 2,504,990</u> |

The cash, cash equivalents, and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note A. The cash and cash equivalents caption on the financial statements include \$1,700 in petty cash.

Orion Township Public Library

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE C: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016, was as follows:

|  | Balance<br>Jan. 1, 2016 | Additions         | Disposals         | Balance<br>Dec. 31, 2016 |
|--|-------------------------|-------------------|-------------------|--------------------------|
| Capital assets not being depreciated       |                         |                   |                   |                          |
| Land                                       | \$ 46,036               | \$ -              | \$ -              | \$ 46,036                |
| Work of art                                | 58,000                  | -                 | -                 | 58,000                   |
| Total capital assets not being depreciated | 104,036                 | -0-               | -0-               | 104,036                  |
| Capital assets being depreciated           |                         |                   |                   |                          |
| Land improvements                          | 75,097                  | -                 | -                 | 75,097                   |
| Building and improvements                  | 3,251,664               | 8,600             | -                 | 3,260,264                |
| Equipment, furniture, and fixtures         | 2,058,675               | 540,794           | (39,475)          | 2,559,994                |
| Library books and materials                | 946,445                 | 203,986           | (185,654)         | 964,777                  |
| Total capital assets being depreciated     | 6,331,881               | 753,380           | (225,129)         | 6,860,132                |
| Less accumulated depreciation for:         |                         |                   |                   |                          |
| Land improvements                          | (37,973)                | (7,359)           | -                 | (45,332)                 |
| Building and improvements                  | (2,616,966)             | (103,432)         | -                 | (2,720,398)              |
| Equipment, furniture, and fixtures         | (1,465,282)             | (181,730)         | 37,871            | (1,609,141)              |
| Library books and materials                | (372,381)               | (189,289)         | 185,654           | (376,016)                |
| Total accumulated depreciation             | (4,492,602)             | (481,810)         | 223,525           | (4,750,887)              |
| Net capital assets being depreciated       | 1,839,279               | 271,570           | (1,604)           | 2,109,245                |
| Capital assets, net                        | <u>\$ 1,943,315</u>     | <u>\$ 271,570</u> | <u>\$ (1,604)</u> | <u>\$ 2,213,281</u>      |

The current depreciation expense of the governmental activities of \$481,810 has been adjusted by \$1,604 for the loss on disposal of capital assets during the period, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

**NOTE D: LEASE COMMITMENTS**

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

The future minimum lease payments under these noncancellable operating agreements at December 31, 2016, are as follows:

| Year Ending<br>December 31, |                 |
|-----------------------------|-----------------|
| 2017                        | \$ 6,397        |
| 2018                        | <u>1,599</u>    |
|                             | <u>\$ 7,996</u> |

Rental expense for 2016 under the noncancellable operating lease agreements was \$6,602.

Orion Township Public Library

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE E: DEFINED CONTRIBUTION PENSION PLAN**

The Library sponsors and administers a defined contribution plan, the Orion Township Public Library Group Pension Plan (the Plan). The Plan may be amended from time-to-time by written amendment executed by the insurer of the Plan. The Plan covers full-time employees who are at least 18 years of age and have six months of service with the Library. The Library's required contributions are in varying amounts from 8% to 10% of compensation per participant depending on length of service. Participants may also make voluntary contributions of up to 10% of their monthly compensation. Library and employee contributions to the Plan amounted to \$70,051 and \$14,932, respectively, in 2016. The Library did not have an outstanding liability for contributions at December 31, 2016.

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

**NOTE F: OTHER POST-EMPLOYMENT BENEFITS**

Plan Description

The Library has a Retiree Health Care Plan and Trust (the "Plan") under Internal Revenue Code Section 501(c)(9) as a voluntary employees' beneficiary association to provide medical benefits to eligible retirees, their spouses and dependents. The Plan incorporates the terms of the medical benefits program as included in the health insurance contracts. Comerica Bank, a Michigan banking corporation, is the Trustee of the assets of the Plan. As of the most recent actuarial valuation, the Plan has 19 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

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.

Funding Policy

The Library intends, but is not required, to make annual contributions to the Trust in an amount determined by the Library pursuant to resolutions adopted annually by the Governing Board on or before the last day of each Trust year, to be held and administered in Trust by the Trustees according to the terms of the Trust agreement. Contributions by retirees (including contributions payable on behalf of the retiree's spouse and dependents) may be required, but active Plan members are not currently obligated to make contributions. The Trust does not have legally required reserves. The amount of the annual required contribution is reflected in the schedule that follows.

Orion Township Public Library

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE F: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

Funding Progress

For the year ended December 31, 2016, the Library has determined an estimated cost of providing post-employment benefits through an actuarial valuation as of December 31, 2014. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed thirty (30) years.

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

|  |                          |
|--|--------------------------|
| Annual required contribution (ARC)         | \$ 5,521                 |
| Interest on net OPEB asset                 | (593)                    |
| Adjustment to annual required contribution | <u>862</u>               |
| Annual OPEB cost (expense)                 | 5,790                    |
| Amounts contributed                        |                          |
| Employer contributions                     | <u>(5,521)</u>           |
| Decrease in net OPEB asset                 | 269                      |
| OPEB asset - beginning of year             | <u>(9,118)</u>           |
| OPEB asset - end of year                   | <u><u>\$ (8,849)</u></u> |

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

| <u>Year Ended<br/>December 31,</u> | <u>Annual OPEB<br/>Cost</u> | <u>Percentage of<br/>OPEB Cost<br/>Contributed</u> | <u>Net OPEB<br/>(Asset)</u> |
|------------------------------------|-----------------------------|--|-----------------------------|
| 2014                               | \$ 18,764                   | 99.3%  | \$ (9,371)                  |
| 2015                               | 5,774                       | 95.6%  | (9,118)                     |
| 2016                               | 5,790                       | 95.4%  | (8,849)                     |

The funding progress of the plan is as follows:

|                                  | <u>Second<br/>Preceding<br/>Valuation</u> | <u>First<br/>Preceding<br/>Valuation</u> | <u>Current<br/>Year<br/>Report</u> |
|----------------------------------|---|--|------------------------------------|
| Valuation date                   | 1/1/2008                                  | 12/31/2011                               | 12/31/2014                         |
| Market value of plan assets      | \$ 365,796                                | \$ 378,163                               | \$ 380,131                         |
| Actuarial accrued liability      | 326,587                                   | 568,035                                  | 378,687                            |
| Unfunded actuarial liability     | (39,209)                                  | 189,872                                  | (1,444)                            |
| Funded ratio                     | 112.0%                                    | 67.1%                                    | 100.0%                             |
| Covered payroll                  | Not applicable                            | Not applicable                           | Not applicable                     |
| Unfunded liability/payroll ratio | Not applicable                            | Not applicable                           | Not applicable                     |

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE F: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2014, actuarial valuation, the aggregated cost method was used. The actuarial assumptions included a 6.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. Additionally, an actuarial assumption of 50 percent utilization of the Plan by eligible Plan participants was made based on their discontinued usage of the Plan once the participants are eligible for Medicare coverage. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a four-year period.

The changes in the assumptions from the prior valuation included the mortality table update to a contemporary table; medical inflation increased to 9% graded to 5% over 8 years from 6% graded to 5%; and the Health Reimbursement Account (HRA) benefit was eliminated.

**NOTE G: RISK MANAGEMENT**

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE H: DETAILS OF FUND BALANCE CLASSIFICATIONS**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five (5) classifications of fund balance under this standard:

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

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

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

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

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

**Fund Balance Classification Policies and Procedures**

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

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

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

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

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



Orion Township Public Library

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE I: 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:

**Total fund balance - governmental fund** \$ 2,068,993

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 | \$ 6,964,168       |
| Accumulated depreciation is   | <u>(4,750,887)</u> |

|                     |           |
|---------------------|-----------|
| Capital assets, net | 2,213,281 |
|---------------------|-----------|

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

|  |              |
|--|--------------|
| Net other post-employment benefits asset | <u>8,849</u> |
|--|--------------|

**Net position of governmental activities** \$ 4,291,123

**Net change in fund balance - governmental fund** \$ (317,335)

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       | \$ 753,380       |
| Depreciation expense | <u>(483,414)</u> |

|  |         |
|--|---------|
| Excess of capital outlay over depreciation expense | 269,966 |
|--|---------|

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

|  |              |
|--|--------------|
| (Decrease) in other post-employment benefits asset | <u>(269)</u> |
|--|--------------|

**Change in net position of governmental activities** \$ (47,638)

Orion Township Public Library

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE J: RELATED PARTIES**

During 2016, the Friends of the Orion Township Library, a related party, made donations of \$50,000 to the Library. At December 31, 2016, the Library owed \$8,740 to the Friends of the Orion Township Library. Also, during 2016, the Library made purchases from a vendor of which a board member's daughter is employed in the amount of \$28,054. At December 31, 2016, the Library owed \$35 to this same vendor.

**NOTE K: RESTATEMENT OF BEGINNING NET POSITION**

Beginning net position has been restated for governmental activities to record the other post-employment benefits asset that should have been recorded at December 31, 2015.

|   |                     |
|---|---------------------|
| Ending net position as of December 31, 2015     | \$ 4,329,643        |
| Unrecorded other post employment benefits asset | <u>9,118</u>        |
| Restated net position as of December 31, 2015   | <u>\$ 4,338,761</u> |

**NOTE L: ORION TOWNSHIP TAX ABATEMENTS**

Library property tax revenues were reduced by \$10,077 under agreements entered into by Orion Township during the year ended December 31, 2016.

**NOTE M: CHANGE IN ACCOUNTING PRINCIPLES**

GASB Statement 77, *Tax Abatement Disclosures*, was also implemented during the year. This statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that were previously not consistently or comprehensively reported to the public.

**NOTE N: UPCOMING ACCOUNTING PRONOUNCEMENTS**

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The statement follows the framework for financial reporting of defined benefit OPEB plans in Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money weighted rates of return on plan investments. The Library is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017 fiscal year.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

Orion Township Public Library  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended December 31, 2016

|  | <u>Budget Amounts</u> |                     |                     | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-----------------------|---------------------|---------------------|---|
|  | <u>Original</u>       | <u>Final</u>        | <u>Actual</u>       |   |
| <b>REVENUES</b>  |                       |                     |                     |   |
| Property taxes   | \$ 2,000,000          | \$ 2,000,000        | \$ 2,021,824        | \$ 21,824   |
| State aid  | 18,000                | 18,000              | 24,062              | 6,062   |
| Grant income   | -                     | -                   | 3,380               | 3,380   |
| Penal fines  | 50,000                | 50,000              | 74,863              | 24,863  |
| Copier service   | 8,000                 | 8,000               | 9,482               | 1,482   |
| Interest and dividend income   | 15,000                | 15,000              | 17,126              | 2,126   |
| Realized and unrealized gain on investments                                      | -                     | -                   | 6,580               | 6,580   |
| Donations revenue  | 25,000                | 25,000              | 89,866              | 64,866  |
| Library fines  | 50,000                | 50,000              | 46,227              | (3,773)   |
| Lost or damaged income   | -                     | -                   | 11,073              | 11,073  |
| Proceeds from sales of capital assets  | -                     | -                   | 5,068               | 5,068   |
| Miscellaneous income   | 7,000                 | 7,000               | 6,070               | (930)   |
| <b>TOTAL REVENUES</b>  | <b>2,173,000</b>      | <b>2,173,000</b>    | <b>2,315,621</b>    | <b>142,621</b>  |
| <b>EXPENDITURES</b>  |                       |                     |                     |   |
| <b>Current</b>   |                       |                     |                     |   |
| <b>Recreation and culture</b>  |                       |                     |                     |   |
| Salaries   | 1,295,000             | 1,166,000           | 1,147,275           | 18,725  |
| Payroll, payroll taxes, employee benefits,<br>and employee pension contributions | 357,000               | 311,000             | 281,069             | 29,931  |
| Supplies   | 70,000                | 77,500              | 52,452              | 25,048  |
| Automation   | 120,000               | 135,000             | 117,914             | 17,086  |
| Library books and materials  | 230,000               | 230,000             | 217,290             | 12,710  |
| Promotion, publishing, and printing  | 32,000                | 32,000              | 30,792              | 1,208   |
| Telephone  | 8,500                 | 8,500               | 8,160               | 340   |
| Utilities  | 65,000                | 58,000              | 48,380              | 9,620   |
| Repairs and maintenance  | 45,000                | 45,000              | 35,635              | 9,365   |
| Insurance and workers' compensation  | 47,000                | 42,000              | 41,877              | 123   |
| Transportation   | 6,000                 | 6,000               | 4,821               | 1,179   |
| Education, training, and dues  | 25,000                | 21,000              | 18,348              | 2,652   |
| Professional and contractual services  | 35,000                | 36,000              | 32,684              | 3,316   |
| Property tax tribunals   | 20,000                | 5,000               | 1,930               | 3,070   |
| Donation expense   | -                     | -                   | 27,356              | (27,356)  |
| Grant expense  | -                     | 3,500               | 3,404               | 96  |
| Miscellaneous expense  | 2,500                 | 2,500               | 6,214               | (3,714)   |
| Post-employment benefits   | -                     | 5,521               | 5,521               | -0-   |
| Capital improvements   | 215,000               | 580,690             | 551,834             | 28,856  |
| <b>TOTAL EXPENDITURES</b>  | <b>2,573,000</b>      | <b>2,765,211</b>    | <b>2,632,956</b>    | <b>132,255</b>  |
| <b>NET CHANGE IN FUND BALANCE</b>  | <b>(400,000)</b>      | <b>(592,211)</b>    | <b>(317,335)</b>    | <b>274,876</b>  |
| Fund balance, beginning of year  | 2,386,328             | 2,386,328           | 2,386,328           | -0-   |
| Fund balance, end of year  | <u>\$ 1,986,328</u>   | <u>\$ 1,794,117</u> | <u>\$ 2,068,993</u> | <u>\$ 274,876</u>                                       |

Orion Township Public Library

Post-employment Medical Benefits Plan

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Year Ended December 31, 2016

The schedule of funding progress is as follows:

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

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

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

The schedule of employer contributions is as follows:

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