

**ROMEO DISTRICT LIBRARY
WASHINGTON, MICHIGAN**

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

YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS.....	8
Government-wide Financial Statements	
Statement of Net Position.....	9
Statement of Activities.....	10
Governmental Fund Financial Statements	
Balance Sheet	11
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position.....	12
Statement of Revenues, Expenditures and Changes in Fund Balance.....	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities.....	14
Notes to Financial Statements.....	15-28
REQUIRED SUPPLEMENTARY INFORMATION	29
General Fund	
Budgetary Comparison Schedule.....	30
Schedule of Changes in Employer's Net Pension Liability and Related Ratios	31
Schedule of Contributions.....	32
Note to Required Supplementary Information.....	33

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Romeo District Library
Washington, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Romeo District Library (the Library) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Romeo District Library as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, schedule of changes in employer's net pension liability and related ratios, and schedule of contributions, 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, which 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

October 20, 2020

ROMEO DISTRICT LIBRARY MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Romeo District Library (the Library), we offer this discussion and analysis of the activities of the Library for the year ended June 30, 2020.

The discussion and analysis of financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the Library's financial statements, which immediately follow this section.

Financial Highlights

The following represents the most significant financial highlights for the year ended June 30, 2020:

- The assets of the Library exceeded its liabilities at the end of the fiscal year by \$6,962,774 (net position) at the government-wide level.
- The Library's total net position increased by \$159,284 as a result of current year activity at the government-wide level.
- At the close of the fiscal year, the Library's governmental fund reported a fund balance of \$2,467,414.

Using this Annual Report

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

The fund financial statements present a short-term view that 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 fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

**ROMEO DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Library as a Whole

The following table shows, in a condensed comparative format, the net position as of June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Assets		
Current and other assets	\$ 2,541,643	\$ 2,719,642
Capital assets	<u>4,817,339</u>	<u>4,718,664</u>
Total assets	<u>7,358,982</u>	<u>7,438,306</u>
Deferred outflows of resources	<u>92,574</u>	<u>270,139</u>
Liabilities		
Current liabilities	128,933	129,060
Noncurrent liabilities	<u>359,849</u>	<u>775,895</u>
Total liabilities	<u>488,782</u>	<u>904,955</u>
Net position		
Investment in capital assets	4,817,339	4,718,664
Unrestricted	<u>2,145,435</u>	<u>2,084,826</u>
Total net position	<u><u>\$ 6,962,774</u></u>	<u><u>\$ 6,803,490</u></u>

As previously stated, the total net position of the Romeo District Library at the end of this fiscal year was \$6,962,774. Of the total net position at the end of the fiscal year, \$2,145,435 is considered unrestricted net position (available to finance the day-to-day operations), and \$4,817,339 was invested in capital assets.

**ROMEO DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following table shows the changes in net position in a comparative format for the year ended June 30, 2020 and the year ended June 30, 2019, respectively.

	2020	2019
Revenues		
Program revenues		
Charges for services	\$ 9,002	\$ 22,113
Grants and contributions	43,264	107,452
General revenues		
Property taxes	2,133,912	2,051,653
State revenue and penal fines	63,074	56,546
PPT reimbursement	65,526	77,669
Investment earnings and other income	40,662	72,987
Total revenues	<u>2,355,440</u>	<u>2,388,420</u>
Expenses		
Recreation and culture	<u>2,196,156</u>	<u>2,135,856</u>
Change in net position	<u>\$ 159,284</u>	<u>\$ 252,564</u>

Governmental Activities

The Library's governmental revenues totaled \$2,355,440 with the greatest revenue source being property taxes which encompasses approximately 91% of the total revenues. Property taxes increased approximately 4% due to increases in taxable values. Charges for services decreased \$13,111, or 59%, due to the Library eliminating late fees. Interest revenue also decreased \$32,325, or 44%, due to declining interest rates and changes in investments held.

The Library incurred expenses of \$2,196,156 during the year. As a special purpose government entity, all of the governmental expenses incurred are associated with the library service function.

The Library's Fund

The Library has one (1) fund: the General Fund. Operations of the General Fund are financed from local property taxes, penal fines, state aid, and other various resources.

As of the fiscal year end, the General Fund reported a fund balance of \$2,467,414, a decrease of about 6% from the prior fiscal year. A common suggested benchmark for the unassigned fund balance is 15 to 20 percent of expenditures (including transfers to other funds), or about two months of service. At \$1,247,718, the unassigned fund balance in the General Fund represents 50% of annual expenditures.

**ROMEO DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following table shows, in a condensed comparative format, the fund balance for the General Fund as of June 30, 2020 and 2019.

	2020	2019
REVENUES		
Property taxes	\$ 2,133,912	\$ 2,051,653
State sources	105,069	115,131
Charges for services	4,226	7,482
Book fines	4,776	14,631
Penal fines	35,101	29,303
Interest income	30,601	42,871
Other		
Gifts and memorials	31,694	97,233
Other revenue	10,061	30,116
TOTAL REVENUES	<u>2,355,440</u>	<u>2,388,420</u>
EXPENDITURES		
Library administration	2,061,762	1,791,775
Capital outlay	457,250	580,809
TOTAL EXPENDITURES	<u>2,519,012</u>	<u>2,372,584</u>
NET CHANGE IN FUND BALANCE	(163,572)	15,836
Fund balance, beginning of year	<u>2,630,986</u>	<u>2,615,150</u>
Fund balance, end of year	<u><u>\$ 2,467,414</u></u>	<u><u>\$ 2,630,986</u></u>

Budgetary Highlights

The Library amended the budget at various times during the fiscal year. The budgeted revenue was increased by \$54,600 while the budgeted expenditures were decreased by \$184,000 during the fiscal year. The most significant budget adjustment during the year was made to library improvements to adjust for projects not conducted during the year.

The Library budgeted for \$2,351,200 in revenues (as amended) and ended the period with \$2,355,420, which is \$4,240 more than the final budget, primarily related to higher than anticipated tax revenue. Gifts and memorials decreased by \$65,539, or 67%, due to memorial contributions received in the prior year.

The Library budgeted for \$2,827,300 in expenditures (as amended) and actually spent \$2,519,012. The current year actual expenditures increased approximately 6% from the prior fiscal year.

**ROMEO DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Capital Assets and Debt Administration

At the end of the fiscal year, the Library had \$4,817,339 invested in capital assets (net of accumulated depreciation) including the building, furniture, and equipment. During the fiscal year, additions to capital assets included building renovations, books, and the purchase of a van for outreach. See Note 3 in the financial statements for more details related to the Library's capital assets.

The Library has an obligation to pay accrued vacation pay in accordance with personnel policies. As of June 30, 2020, the dollar value of this liability was \$54,704, of which 100% is considered a current liability. See Note 4 in the financial statements for more details related to the Library's long-term obligations.

Economic Factors and Next Year's Budget

The tax base of southeastern Michigan has stabilized, but with the effects of the pandemic on the economy still unknown, the tax base is less certain. Tax revenue is estimated to modestly increase for the Library. As the growth in our service area continues, we will see a slight growth in our revenue.

As the library continues its strategic plan, the board and administration will be able to tie expenditures to the goals designed to serve the local community. Personnel costs, including salaries, benefits, and pension costs, continue to be the largest portion of the Library's operating expenses. The library has planned for expenses related to mobilizing the library with an outreach van.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Library's finances and to show 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 65821 Van Dyke, Washington Township, MI 48095.

BASIC FINANCIAL STATEMENTS

**ROMEO DISTRICT LIBRARY
STATEMENT OF NET POSITION
JUNE 30, 2020**

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 2,336,637
Investments	201,862
Accounts receivable	404
Prepays	<u>2,740</u>
Total current assets	<u>2,541,643</u>
Noncurrent assets	
Capital assets not being depreciated	236,733
Capital assets, net of accumulated depreciation	<u>4,580,606</u>
Total noncurrent assets	<u>4,817,339</u>
TOTAL ASSETS	<u><u>7,358,982</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	<u>92,574</u>
LIABILITIES	
Current liabilities	
Accounts payable	29,953
Accrued wages	39,761
Accrued liabilities	4,515
Compensated absences	<u>54,704</u>
Total current liabilities	<u>128,933</u>
Noncurrent liabilities	
Net pension liability	<u>359,849</u>
TOTAL LIABILITIES	<u><u>488,782</u></u>
NET POSITION	
Investment in capital assets	4,817,339
Unrestricted	<u>2,145,435</u>
TOTAL NET POSITION	<u><u>\$ 6,962,774</u></u>

See accompanying notes to financial statements.

**ROMEO DISTRICT LIBRARY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Function/Program	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Recreation and culture	<u>\$ 2,196,156</u>	<u>\$ 9,002</u>	<u>\$ 43,264</u>	<u>\$ (2,143,890)</u>
General revenues				
Property taxes				2,133,912
State aid and penal fines				63,074
PPT reimbursement				65,526
Investment earnings				30,601
Other miscellaneous income				<u>10,061</u>
Total general revenues				<u>2,303,174</u>
Change in net position				159,284
Net position, beginning of year				<u>6,803,490</u>
Net position, end of year				<u><u>\$ 6,962,774</u></u>

See accompanying notes to financial statements.

**ROMEO DISTRICT LIBRARY
GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2020**

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 2,336,637
Investments	201,862
Accounts receivable	404
Prepays	<u>2,740</u>
TOTAL ASSETS	<u><u>\$ 2,541,643</u></u>
LIABILITIES	
Accounts payable	\$ 29,953
Accrued wages	39,761
Other accrued liabilities	<u>4,515</u>
TOTAL LIABILITIES	<u>74,229</u>
FUND BALANCE	
Nonspendable	2,740
Assigned	
Property taxes collected to fund subsequent year's expenditures	1,066,956
Capital improvements	150,000
Unassigned	<u>1,247,718</u>
TOTAL FUND BALANCE	<u>2,467,414</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 2,541,643</u></u>

See accompanying notes to financial statements.

**ROMEO DISTRICT LIBRARY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

Total fund balance - governmental fund **\$ 2,467,414**

Amounts reported for the governmental activities 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	\$ 8,998,651	
Accumulated depreciation is	<u>(4,181,312)</u>	
Capital assets, net		4,817,339

The governmental fund reports actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions	92,574
--	--------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund balance sheet. Long-term liabilities at year-end consist of:

Compensated absences	(54,704)	
Net pension liability	<u>(359,849)</u>	
		<u>(414,553)</u>

Net position of governmental activities	<u><u>\$ 6,962,774</u></u>
--	-----------------------------------

**ROMEO DISTRICT LIBRARY
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2020**

	<u>General</u>
REVENUES	
Property taxes	\$ 2,133,912
State sources	105,069
Service fees	4,226
Book fines	4,776
Penal fines	35,101
Interest income	30,601
Gifts and memorials	31,694
Other	<u>10,061</u>
 TOTAL REVENUES	 <u>2,355,440</u>
EXPENDITURES	
Current	
Recreation and culture	
Salaries and wages	920,234
Employee benefits	678,477
Supplies	30,595
Contracted services	122,100
Public relations	14,567
Technology	83,377
Building maintenance	53,565
Utilities	78,395
Other charges	2,354
Library services and materials	78,098
Capital outlay	
Collections	125,054
Library improvements	<u>332,196</u>
 TOTAL EXPENDITURES	 <u>2,519,012</u>
 NET CHANGE IN FUND BALANCE	 <u>(163,572)</u>
 Fund balance, beginning of year	 <u>2,630,986</u>
 Fund balance, end of year	 <u><u>\$ 2,467,414</u></u>

See accompanying notes to financial statements.

**ROMEO DISTRICT LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Net change in fund balance - total governmental fund **\$ (163,572)**

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

Capital outlays are reported as expenditures in 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	\$	447,518	
Depreciation expense		<u>(348,843)</u>	
Excess of capital outlay over depreciation expense			98,675

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

(Increase) in compensated absences	(14,300)		
(Decrease) in deferred outflows of resources related to pension	(177,565)		
Decrease in net pension liability	<u>416,046</u>		
			<u>224,181</u>
Change in net position of governmental activities			<u>\$ 159,284</u>

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF LIBRARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Romeo District Library (the Library) was created in 1908, through a resolution put before voters calling for the establishment of a library under provisions of state law. Public Act 24 defines the Library's legal status as "an Authority under Section 6 of Article IX of the State Constitution of 1963" thereby classifying the Library as a Michigan Municipal Corporation. The Library's governmental participants collect and distribute property taxes that are levied by the Library.

The Library is governed by a six-member Board of Trustees; two appointed by the Village of Romeo, two appointed by the Township of Washington, and two appointed by the Township of Bruce.

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

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the Library (primary government). The Library has no activities that would be classified as component units.

Basis of Presentation

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.

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 of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the Library.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Library's individual major fund. The General Fund is the general operating fund of the Library. It is used to account for all financial resources used to provide library services. General Fund activities are financed by revenue from general property taxes, penal fines, state aid, and other sources.

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

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

Measurement Focus

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, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are 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 other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

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. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations 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 grant monies are received prior to the incurrence of qualified expenses.

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. The length of time used to define "available" for purposes of revenue recognition in the governmental fund financial statements is sixty (60) days. Revenues susceptible to accrual include property taxes, state and federal aid, 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 long-term debt which are recorded when due.

Budgets and Budgetary Accounting

Budgets shown as required supplementary information to the financial statements were prepared on a basis consistent with U.S. generally accepted accounting principles and the basis used to reflect actual results. The Library does not maintain a formalized encumbrance accounting system. All annual appropriations lapse at fiscal year end.

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

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

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Library prepares the proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and resources to finance them.
- b. Prior to incurring significant expenditures, the budget is legally enacted through Library Board action.
- c. The budget is legally adopted at the functional level; however, it is maintained at the account level for control purposes.
- d. Budgeted amounts are reported as originally adopted and amended by the Library Board during the year.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking and money market accounts. Investments consist of certificates of deposit with an original maturity of greater than 90 days. Cash equivalents and investments are stated at fair value.

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

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

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

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

Receivables

Receivables consist of amounts due for contributions and book fines.

Prepaids

Prepaid expenditures in the governmental fund, 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 the nonspendable fund balance, which indicates they do not constitute "available spendable resources" even though they are a component of fund balance.

Property Taxes

The municipalities within the Library's jurisdictional territory levy and collect property taxes for the Library. As the Library tax is collected, it is remitted by the Township and Village Treasurers. At March 1 each year the Townships and Village settle their delinquent taxes with the County Treasurer and the unpaid real property tax is remitted to the Library by the County Treasurer in Macomb County. Delinquent personal property taxes are retained by the Township and Village Treasurers for subsequent collection. The Library is permitted to levy up to \$1.1086 per \$1,000 of assessed valuation on property within the District. For the year ended June 30, 2020, the Library levied 1.0967 mills. The total taxable value for the 2019 levy on the property within the District was \$1,944,693,599.

Tax Abatements

The Library's tax revenues have been reduced by tax abatements. There have been no significant abatements made by the Library or other governmental units that significantly reduce the Library's tax revenue. Management has determined the amount of any tax abatements to be immaterial to the financial statements.

Capital Assets

Capital assets are recorded (net of accumulated depreciation) in the government-wide financial statements. Capital assets are those with an initial individual cost of \$1,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental fund. Instead, capital acquisition and construction are reflected as expenditures in the governmental fund and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition cost on the date received.

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

Buildings and improvements	10 - 50 years
Furniture and office equipment	5 - 10 years
Computer equipment	3 years
Machinery and equipment	15-20 years
Library collection	5 - 7 years

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

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

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 fund balance classifications under this standard:

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

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

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., 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 nonspendable, 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 Library Board of Trustees. Formal action that is required to be taken to establish a fund balance commitment is a resolution of the Library Board. A majority vote is required to approve a commitment and a two-thirds vote is required to remove a commitment.

For assigned fund balance, the Library Board of Trustees has delegated the authority to assign amounts to the Library Director.

The Library Board of Trustees has adopted a policy that establishes an assignment of 50% of property tax revenues in the current fiscal year to pay for expenditures incurred in the next fiscal year. Taxes are levied in December. Property tax revenues assigned for the subsequent fiscal year's expenditures was \$1,066,956.

The Library Board of Trustees has designated a minimum unassigned fund balance of 20% of prior year's budgeted expenditures to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain budget stabilization commitment. The Director and Board may, at their discretion, determine a need to retain additional unassigned fund balance in anticipation of future needs such as planned capital asset purchases, potential revenue reductions, etc.

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

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

Fund Balance Classification Policies and Procedures (continued)

The Library has adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. The Library considers restricted amounts to have been spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the Library considers committed amounts to have been spent first followed by assigned and then unassigned when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Deferred Outflows/Inflows of Resources

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

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

The Library reports deferred outflows of resources related to the Library's net pension liability and consist of differences between projected and actual pension plan investment earnings and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow of resources in the period to which they apply.

Compensated Absences

The Library employees are granted vacation leave in varying amounts. In the event of termination, an employee is paid for certain portions of unused time. This amount has been recorded as a current liability in the government-wide financial statements.

Comparative Data

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

NOTE 2 - DEPOSITS

As of June 30, 2020, the Library had deposits subject to the following risk:

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. As of June 30, 2020, \$1,428,237 of the Library's bank balance of \$2,539,500 was exposed to custodial credit risk because it was uninsured and uncollateralized. The uninsured amount consists of \$1,423,791 in U.S. Treasury bills which are backed by the full faith and credit of the U.S. government. The carrying value on the books at the end of the year was \$2,534,135. The Library also held \$4,364 on deposit with the Suburban Library Cooperative, which acts as a centralized purchasing account.

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS (continued)

The Library will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments of collateral securities that are in possession of an outside party by diversifying its investments by institution to ensure that potential losses on individual securities do not exceed the income generated by the remainder of the portfolio.

Credit risk. State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2020, the Library did not have any investments that would be subject to rating.

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 diversifying the investment portfolio either by security type or institution to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets not being depreciated				
Land	\$ 236,733	\$ -	\$ -	\$ 236,733
Capital assets being depreciated				
Buildings and improvements	5,518,833	124,305	-	5,643,138
Furniture and office equipment	781,590	95,314	32,494	844,410
Computer equipment	313,852	35,131	313,852	35,131
Machinery and equipment	88,089	10,041	-	98,130
Automobile	-	57,673	-	57,673
Library collection	2,656,525	125,054	698,143	2,083,436
Subtotal	9,358,889	447,518	1,044,489	8,761,918

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CAPITAL ASSETS (continued)

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Less accumulated depreciation for				
Buildings and improvements	\$ (1,870,466)	\$ (155,523)	\$ -	\$ (2,025,989)
Furniture and office equipment	(584,893)	(40,191)	(32,494)	(592,590)
Computer equipment	(313,264)	(2,930)	(313,852)	(2,342)
Machinery and equipment	(986)	(4,940)	-	(5,926)
Automobile	-	(481)	-	(481)
Library collection	(2,107,349)	(144,778)	(698,143)	(1,553,984)
Subtotal	(4,876,958)	(348,843)	(1,044,489)	(4,181,312)
Net capital assets being depreciated	4,481,931	98,675	-	4,580,606
Capital assets, net	\$ 4,718,664	\$ 98,675	\$ -	\$ 4,817,339

NOTE 4 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the Library for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Compensated absences	\$ 40,404	\$ 77,131	\$ (62,831)	\$ 54,704	\$ 54,704

Compensated Absences

It is the Library's policy to permit employees to accumulate earned but unused vacation pay benefits. For most employees however, vacation does not accumulate beyond the calendar year. All vacation pay is accrued when incurred in the government-wide financial statements. The dollar amounts of these vested rights including related payroll taxes, which have been recorded as a current liability in the government-wide financial statements, amounted to \$54,704 at June 30, 2020.

NOTE 5 - DEFINED BENEFIT RETIREMENT PLAN

Plan Description

The Library participates in the Municipal Employees' Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan's Legislature under Public Act 135 of 1945 and administered by a nine (9) member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing MERS website at www.mersofmich.com.

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - DEFINED BENEFIT RETIREMENT PLAN (continued)

Summary of Significant Accounting Policies

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. 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.

Benefits Provided

The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. Public Act 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. The MERS plan covers employees of the Library hired prior to July 1, 2002.

Retirement benefits for employees are calculated as 2.50% of the employee's five-year final average compensation times the employee's years of service with a maximum of 80% of final average compensation. Normal retirement age is 60 with a reduced benefit at age 50 with 25 years of service or age 55 with 15 years of service. Deferred retirement benefits vest after 6 years of credited service, but are not paid until the date retirement would have occurred had the member remained an employee. Employees are eligible for non-duty disability benefits after 6 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately and if duty-related without an actuarial reduction for retirement before age 60 is not applied. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the Library Board of Trustees.

At the December 31, 2019, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	21
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>3</u>
Total employees covered by MERS	<u><u>32</u></u>

Contributions

The Library is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Library may establish contribution rates to be paid by its covered employees.

The Library contributes a flat monthly rate for the closed division. During the year ended June 30, 2020, the Library contributed an additional \$342,000 to reduce the unfunded liability. Active covered employees contributed 3.00% of annual payroll for the year ended June 30, 2020.

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - DEFINED BENEFIT RETIREMENT PLAN (continued)

Net Pension Liability

The Library's net pension liability reported at June 30, 2020, was determined using a measure of the total pension liability and the pension net position as of December 31, 2019. The December 31, 2019 total pension liability was determined by an actuarial valuation performed as of that date.

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2018	\$ 3,428,398	\$ 2,652,503	\$ 775,895
Service cost	21,193	-	21,193
Interest on total pension liability	264,832	-	264,832
Difference between expected and actual experience	1,864	-	1,864
Changes of assumptions	105,493	-	105,493
Employer contributions	-	446,460	(446,460)
Employee contributions	-	5,801	(5,801)
Net investment income	-	363,383	(363,383)
Benefit payments, including employee refunds	(257,212)	(257,212)	-
Administrative expense	-	(6,217)	6,217
Other changes	(1)	-	(1)
Net changes	136,169	552,215	(416,046)
Balances at December 31, 2019	<u>\$ 3,564,567</u>	<u>\$ 3,204,718</u>	<u>\$ 359,849</u>

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

For the year ended June 30, 2020, the Library recognized pension expense of \$220,111. The Library reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Excess investment returns	\$ 13,278	\$ -
Contributions subsequent to the measurement date*	<u>79,296</u>	<u>-</u>
Total	<u>\$ 92,574</u>	<u>\$ -</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2021.

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - DEFINED BENEFIT RETIREMENT PLAN (continued)

Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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

Year Ending June 30,	Pension Expense
2021	\$ (7,113)
2022	10,487
2023	38,630
2024	(28,726)

Actuarial Assumptions

The total pension liability in the December 31, 2019, annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation - 2.5%.

Salary increases - 3.00% in the long-term plus a percentage based on age related scale to reflect merit, longevity, and promotional pay increases.

Investment rate of return - 7.35%, net of investment expenses, including inflation.

The mortality table used to project the mortality experience of non-disabled plan members is a 50% Male - 50% Female blend of the following tables: 1. the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%, 2. the RP-2014 Employee Mortality Tables, and 3. the RP-2014 Juvenile Mortality Tables. The mortality table used to project the mortality experience of disabled plan members is a 50% Male - 50% Female blend of the RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in valuation were based on the results of the 2014-2018 Five-Year Experience Study.

Discount Rate

The discount rate used to measure the total pension liability is 7.60%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers.

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - DEFINED BENEFIT RETIREMENT PLAN (continued)

Projected Cash Flows

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	60.00%	6.15%
Global Fixed Income	20.00%	1.26%
Private Investments	20.00%	6.56%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Library, calculated using the discount rates of 7.60%, as well as what the Library's net pension liability would be using a discount rate that is 1% lower (6.60%) or 1% higher (8.60%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability of the Library	\$ 700,926	\$ 359,849	\$ 66,119

NOTE 6 - DEFINED CONTRIBUTION RETIREMENT PLAN

For all employees hired after July 1, 2002, the Library offers a defined contribution plan created in accordance with Internal Revenue Code Section 401 to its employees. The plan is managed by Michigan Municipal Employees' Retirement System. The Library Board of Trustees established, and may amend, the provisions of the plan, including the amounts required to be contributed by the Library. For this plan, the Library contributes 8% of an employee's compensation for all eligible enrolled employees. Employees contribute 2% of compensation.

For the year ended June 30, 2020, the Library contributed \$43,460 to the defined contribution plan for its employees. The Library employees contributed \$10,865 to the defined contribution plan for the year ended June 30, 2020.

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS

The Library provides retiree healthcare benefits to eligible employees and their spouses through the Romeo District Library Retiree Defined Contribution Health Care Plan. The plan is administered by the Municipal Employees' Retirement System (MERS). The benefits are provided under collective bargaining agreements. The collective bargaining agreements require the Library to contribute \$70 biweekly for each participating full-time employee in Unit 91 with a hire date on or before June 30, 2012, or transfer from Unit 62 with a hire date on or before June 30, 2012. The collective bargaining agreements require the Library to contribute \$70 biweekly for each participating full-time employee in Unit 62 with a hire date on or before June 30, 2012. For any employee hired after July 1, 2012, the Library is required to contribute \$35 biweekly for each participating full-time employee for both Unit 62 and Unit 91. Any plan members who receive a normal retirement from the Library are then eligible to use the balance in their accounts to fund current medical insurance premiums.

During the year ended June 30, 2020, the Library made contributions of \$23,534 to the plan.

NOTE 8 - RISK MANAGEMENT

The Library is exposed to various risks of loss related to property, general liability, auto, and workers compensation. The Library has purchased commercial insurance to cover any potential claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the prior three fiscal years.

NOTE 9 - SUBSEQUENT EVENTS

Subsequent to year end the Library received notice of a special assessment from Washington Township related to sanitary sewer improvements. The Library's assessment is \$179,431, to be paid in 20 annual installments of \$8,972, plus interest at 3% annually. The legality of this assessment is currently being determined by attorneys, with a chance that it may proceed to circuit court. The assessment may be eliminated, but that is uncertain at this time.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of many businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Library expects this matter to potentially negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*. This statement will increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Library is currently evaluating the impact this standard will have on the financial statements when adopted during the 2021-2022 fiscal year.

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

REQUIRED SUPPLEMENTARY INFORMATION

**ROMEO DISTRICT LIBRARY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 2,125,000	\$ 2,125,000	\$ 2,133,912	\$ 8,912
State sources	108,500	108,500	105,069	(3,431)
Service fees	4,000	4,000	4,226	226
Book fines	-	4,400	4,776	376
Penal fines	27,000	35,200	35,101	(99)
Interest income	30,000	30,000	30,601	601
Gifts and memorials	2,000	34,000	31,694	(2,306)
Other	100	10,100	10,061	(39)
TOTAL REVENUES	<u>2,296,600</u>	<u>2,351,200</u>	<u>2,355,440</u>	<u>4,240</u>
EXPENDITURES				
Current				
Recreation and culture				
Salaries and wages	991,000	991,000	920,234	70,766
Employee benefits	687,500	687,500	678,477	9,023
Supplies	49,200	49,200	30,595	18,605
Contracted services	159,000	159,000	122,100	36,900
Public relations	24,000	24,000	14,567	9,433
Technology	102,000	102,000	83,377	18,623
Building maintenance	52,500	73,500	53,565	19,935
Utilities	94,500	94,500	78,395	16,105
Other charges	9,500	9,500	2,354	7,146
Library services and materials	80,900	80,900	78,098	2,802
Capital outlay				
Collections	204,200	204,200	125,054	79,146
Library improvements	557,000	352,000	332,196	19,804
TOTAL EXPENDITURES	<u>3,011,300</u>	<u>2,827,300</u>	<u>2,519,012</u>	<u>308,288</u>
NET CHANGE IN FUND BALANCE	<u>\$ (714,700)</u>	<u>\$ (476,100)</u>	<u>(163,572)</u>	<u>\$ 312,528</u>
Fund balance, beginning of year			<u>2,630,986</u>	
Fund balance, end of year			<u>\$ 2,467,414</u>	

ROMEO DISTRICT LIBRARY
SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS
LAST SIX MEASUREMENT YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF DECEMBER 31 OF EACH FISCAL YEAR)

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 21,193	\$ 20,020	\$ 19,673	\$ 18,713	\$ 29,224	\$ 57,495
Interest	264,832	263,221	258,898	256,193	240,684	231,333
Difference between expected and actual experience	1,864	(8,246)	22,037	(4,697)	71,496	-
Changes of assumptions	105,493	-	-	-	155,688	-
Benefit payments, including employee refunds	(257,212)	(253,701)	(239,785)	(233,949)	(179,681)	(143,014)
Other	(1)	-	-	(2)	-	-
Net change in total pension liability	136,169	21,294	60,823	36,258	317,411	145,814
Total Pension Liability, beginning	3,428,398	3,407,104	3,346,281	3,310,023	2,992,612	2,846,798
Total Pension Liability, ending	<u>\$ 3,564,567</u>	<u>\$ 3,428,398</u>	<u>\$ 3,407,104</u>	<u>\$ 3,346,281</u>	<u>\$ 3,310,023</u>	<u>\$ 2,992,612</u>
Plan Fiduciary Net Position						
Contributions - employer	\$ 446,460	\$ 112,842	\$ 73,674	\$ 47,424	\$ 32,622	\$ 16,788
Contributions - employee	5,801	5,623	5,531	5,746	11,913	14,379
Net investment income (loss)	363,383	(110,137)	351,507	289,737	(40,971)	171,758
Benefit payments, including employee refunds	(257,212)	(253,701)	(239,785)	(233,949)	(179,681)	(143,014)
Administrative expenses	(6,217)	(5,543)	(5,578)	(5,728)	(6,044)	(6,291)
Net change in plan fiduciary net position	552,215	(250,916)	185,349	103,230	(182,161)	53,620
Plan Fiduciary Net Position, beginning	2,652,503	2,903,419	2,718,070	2,614,840	2,797,001	2,743,381
Plan Fiduciary Net Position, ending	<u>\$ 3,204,718</u>	<u>\$ 2,652,503</u>	<u>\$ 2,903,419</u>	<u>\$ 2,718,070</u>	<u>\$ 2,614,840</u>	<u>\$ 2,797,001</u>
Library's Net Pension Liability	<u>\$ 359,849</u>	<u>\$ 775,895</u>	<u>\$ 503,685</u>	<u>\$ 628,211</u>	<u>\$ 695,183</u>	<u>\$ 195,611</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	90%	77%	85%	81%	79%	93%
Covered employee payroll	\$ 193,369	\$ 187,629	\$ 184,377	\$ 172,466	\$ 265,479	\$ 479,274
Library's Net Pension Liability as a percentage of covered employee payroll	186%	414%	273%	364%	262%	41%

ROMEO DISTRICT LIBRARY
SCHEDULE OF CONTRIBUTIONS
LAST SIX FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)
(AMOUNTS DETERMINED AS OF JUNE 30 OF EACH FISCAL YEAR)

	2020	2019	2018	2017	2016	2015
Actuarial determined contributions	\$ 116,592	\$ 92,328	\$ 91,356	\$ 55,992	\$ 38,856	\$ 30,960
Contributions in relation to the actuarially determined contribution	458,592	134,328	91,356	55,992	38,856	30,960
Contribution deficiency (excess)	<u>\$ (342,000)</u>	<u>\$ (42,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 181,776	\$ 190,550	\$ 185,123	\$ 179,510	\$ 265,479	\$ 479,274
Contributions as a percentage of covered employee payroll	252%	70%	49%	31%	15%	6%

**ROMEO DISTRICT LIBRARY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020**

NOTE 1 - EMPLOYEE RETIREMENT PLAN

Changes of benefits terms: There were no changes of benefit terms during plan year 2019.

Changes in assumptions: Reduction in the investment rate of return assumption from 7.75% to 7.35%.
Reduction in the rate of wage inflation from 3.75% to 3.00%.
Reduction in the discount rate from 8.00% to 7.60%.
The five-year experience study was updated from 2009-2013 to 2014-2018.