

**ROMEO DISTRICT LIBRARY
WASHINGTON, MICHIGAN**

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

YEAR ENDED JUNE 30, 2021

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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, 2021, 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, 2021, 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.

Manes Costeiran PC

October 18, 2021

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, 2021.

The discussion and analysis of financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2021. 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, 2021:

- The assets of the Library exceeded its liabilities at the end of the fiscal year by \$7,429,095 (net position) at the government-wide level.
- The Library's total net position increased by \$466,321 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 \$2,716,314.

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, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
ASSETS		
Current and other assets	\$ 2,785,801	\$ 2,541,643
Capital assets	<u>4,783,348</u>	<u>4,817,339</u>
TOTAL ASSETS	<u>7,569,149</u>	<u>7,358,982</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>300,608</u>	<u>92,574</u>
LIABILITIES		
Current liabilities	137,955	128,933
Noncurrent liabilities	<u>189,913</u>	<u>359,849</u>
TOTAL LIABILITIES	<u>327,868</u>	<u>488,782</u>
DEFERRED INFLOWS OF RESOURCES	<u>112,794</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	4,612,888	4,817,339
Restricted	159,389	-
Unrestricted	<u>2,656,818</u>	<u>2,145,435</u>
TOTAL NET POSITION	<u>\$ 7,429,095</u>	<u>\$ 6,962,774</u>

As previously stated, the total net position of the Romeo District Library at the end of this fiscal year was \$7,429,095. Of the total net position at the end of the fiscal year, \$2,816,207 is considered unrestricted net position (available to finance the day-to-day operations), and \$4,612,888 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, 2021 and the year ended June 30, 2020, respectively.

	<u>2021</u>	<u>2020</u>
REVENUES		
Program revenues		
Charges for services	\$ 4,169	\$ 9,002
Grants and contributions	83,901	108,790
General revenues		
Property taxes	2,219,502	2,133,912
State revenue and penal fines	60,804	63,074
Investment earnings and other income	<u>19,313</u>	<u>40,662</u>
TOTAL REVENUES	<u>2,387,689</u>	<u>2,355,440</u>
EXPENSES		
Recreation and culture	<u>1,921,368</u>	<u>2,196,156</u>
Change in net position	<u><u>\$ 466,321</u></u>	<u><u>\$ 159,284</u></u>

Governmental Activities

The Library's governmental revenues totaled \$2,387,689 with the greatest revenue source being property taxes which encompasses approximately 93% of the total revenues. Property taxes increased approximately 4% due to increases in taxable values. Charges for services decreased \$4,833, or 54%, due to the Library eliminating late fees. Interest earnings and other income also decreased \$21,349, or 53%, due to declining interest rates and changes in investments held.

The Library incurred expenses of \$1,921,368 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 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 \$2,716,314, a decrease of about 6% from the prior fiscal year. A common suggested benchmark for the unassigned fund balance is 15 to 20% of expenditures (including transfers to other funds), or about two months of service. At \$1,444,960, the unassigned fund balance in the General Fund represents 62% 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, 2021 and 2020.

	2021	2020
REVENUES		
Property taxes	\$ 2,219,502	\$ 2,133,912
State sources	105,644	105,069
Charges for services	798	4,226
Book fines	3,371	4,776
Penal fines	32,015	35,101
Interest income	1,738	30,601
Other		
Gifts and memorials	7,046	31,694
Other revenue	17,575	10,061
	<u>2,387,689</u>	<u>2,355,440</u>
TOTAL REVENUES		
EXPENDITURES		
Library administration	1,930,599	2,061,762
Capital outlay	378,650	457,250
Debt service	8,971	-
	<u>2,318,220</u>	<u>2,519,012</u>
TOTAL EXPENDITURES		
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	69,469	(163,572)
OTHER FINANCING SOURCES		
Proceeds from issuance of debt	179,431	-
	<u>179,431</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	248,900	(163,572)
Fund balance, beginning of year	<u>2,467,414</u>	<u>2,630,986</u>
Fund balance, end of year	<u><u>\$ 2,716,314</u></u>	<u><u>\$ 2,467,414</u></u>

Budgetary Highlights

The Library amended the budget at various times during the fiscal year. The budgeted revenue was unchanged while the budgeted expenditures were increased by \$189,999 during the fiscal year. The most significant budget adjustment during the year was made to employee benefits to reduce the unfunded pension liability.

The Library budgeted for \$2,389,500 in revenues and other financing sources and ended the period with \$2,567,120, which is \$177,620 more than the final budget, primarily related to proceeds from the issuance of debt.

ROMEO DISTRICT LIBRARY MANAGEMENT'S DISCUSSION AND ANALYSIS

The Library budgeted for \$2,557,199 in expenditures (as amended) and actually spent \$2,318,220. The current year actual expenditures decreased approximately 8% from the prior fiscal year.

Capital Assets and Debt Administration

At the end of the fiscal year, the Library had \$4,783,348 invested in capital assets (net of accumulated depreciation) including the building, furniture, and equipment. During the fiscal year, additions to capital assets included books and land improvements. 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, 2021, the dollar value of this liability was \$54,382 of which 100% is considered a current liability. In addition, the Library was assessed \$179,431 during the year for land improvements related to the Township's sewer infrastructure. 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 increased outreach to the community.

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, 2021**

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 2,491,414
Investments	211,261
Receivables	
Accounts	968
Taxes	70,555
Prepays	<u>11,603</u>
Total current assets	<u>2,785,801</u>
Noncurrent assets	
Capital assets not being depreciated	236,733
Capital assets, net of accumulated depreciation	<u>4,546,615</u>
Total noncurrent assets	<u>4,783,348</u>
TOTAL ASSETS	<u>7,569,149</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	<u>300,608</u>
LIABILITIES	
Current liabilities	
Accounts payable	29,672
Accrued wages	36,525
Accrued liabilities	3,290
Accrued interest	5,114
Current portion of special assessment payable	8,972
Compensated absences	<u>54,382</u>
Total current liabilities	<u>137,955</u>
Noncurrent liabilities	
Noncurrent portion of special assessment payable	161,488
Net pension liability	<u>28,425</u>
Total noncurrent liabilities	<u>189,913</u>
TOTAL LIABILITIES	<u>327,868</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>112,794</u>
NET POSITION	
Net investment in capital assets	4,612,888
Restricted for pensions	159,389
Unrestricted	<u>2,656,818</u>
TOTAL NET POSITION	<u>\$ 7,429,095</u>

See accompanying notes to financial statements.

**ROMEO DISTRICT LIBRARY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

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>\$ 1,921,368</u>	<u>\$ 4,169</u>	<u>\$ 83,901</u>	<u>\$ (1,833,298)</u>
General revenues				
Property taxes				2,219,502
State aid and penal fines				60,804
Investment earnings				1,738
Other miscellaneous income				<u>17,575</u>
Total general revenues				<u>2,299,619</u>
Change in net position				466,321
Net position, beginning of year				<u>6,962,774</u>
Net position, end of year				<u>\$ 7,429,095</u>

See accompanying notes to financial statements.

**ROMEO DISTRICT LIBRARY
GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2021**

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 2,491,414
Investments	211,261
Receivables	
Accounts	968
Taxes	70,555
Prepays	<u>11,603</u>
 TOTAL ASSETS	 <u>\$ 2,785,801</u>
 LIABILITIES	
Accounts payable	\$ 29,672
Accrued wages	36,525
Other accrued liabilities	<u>3,290</u>
 TOTAL LIABILITIES	 <u>69,487</u>
 FUND BALANCE	
Nonspendable	11,603
Assigned	
Property taxes collected to fund subsequent year's expenditures	1,109,751
Capital improvements	150,000
Unassigned	<u>1,444,960</u>
 TOTAL FUND BALANCE	 <u>2,716,314</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 2,785,801</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, 2021**

Total Fund Balance - Governmental Fund **\$ 2,716,314**

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	\$ 8,124,970	
Accumulated depreciation is	<u>(3,341,622)</u>	
Capital assets, net		4,783,348

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	300,608	
Deferred inflows of resources related to pensions	<u>(112,794)</u>	
		187,814

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

Compensated absences	(54,382)	
Special assessment payable	(170,460)	
Accrued interest	(5,114)	
Net pension liability	<u>(28,425)</u>	
		<u>(258,381)</u>

Net Position of Governmental Activities **\$ 7,429,095**

**ROMEO DISTRICT LIBRARY
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2021**

	<u>General</u>
REVENUES	
Property taxes	\$ 2,219,502
State sources	105,644
Service fees	798
Book fines	3,371
Penal fines	32,015
Interest income	1,738
Gifts and memorials	7,046
Other	<u>17,575</u>
TOTAL REVENUES	<u>2,387,689</u>
EXPENDITURES	
Current	
Recreation and culture	
Salaries and wages	892,481
Employee benefits	596,840
Supplies	30,290
Contracted services	136,585
Public relations	10,001
Technology	90,720
Building maintenance	33,715
Utilities	77,846
Other charges	3,145
Library services and materials	58,976
Capital outlay	
Collections	165,539
Library improvements	213,111
Debt service	
Principal	<u>8,971</u>
TOTAL EXPENDITURES	<u>2,318,220</u>
EXCESS OF REVENUES OVER EXPENDITURES	69,469
OTHER FINANCING SOURCES	
Proceeds from issuance of debt	<u>179,431</u>
NET CHANGE IN FUND BALANCE	248,900
Fund balance, beginning of year	<u>2,467,414</u>
Fund balance, end of year	<u><u>\$ 2,716,314</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, 2021

Net Change in Fund Balance - Total Governmental Fund **\$ 248,900**

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	\$ 344,970	
Depreciation expense	<u>(378,961)</u>	
Excess of depreciation expense over capital outlay		(33,991)

Repayment of long-term debt is reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Issuance of long-term debt	(179,431)	
Repayment of long-term debt	<u>8,971</u>	
		(170,460)

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:

Decrease in compensated absences	322	
Increase in deferred outflows of resources related to pension	208,034	
(Increase) in accrued interest payable	(5,114)	
(Increase) in deferred inflows of resources related to pensions	(112,794)	
Decrease in net pension liability	<u>331,424</u>	
		<u>421,872</u>

Change in Net Position of Governmental Activities **\$ 466,321**

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 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)

Budgets and Budgetary Accounting (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, book fines, and taxes.

Prepays

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 \$1.0849 per \$1,000 of assessed valuation on property within the District. For the year ended June 30, 2021, the Library levied 1.0849 mills. The total taxable value for the 2020 levy or the property within the District was \$2,048,215,038.

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.

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

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

Capital Assets (continued)

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

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

Long-Term Debt

Long-term debt is recognized as a liability in the government-wide financial statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for a payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

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.

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

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

Fund Balance Classifications (continued)

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.

Fund Balance Classification Policies and Procedures (continued)

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 were \$1,109,751.

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.

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 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 that applies to a future period and so will not be recognized as an outflow of resources (expense) 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.

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

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

Deferred Outflows/Inflows of Resources (continued)

The Library reports deferred outflows and deferred inflows 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 or an inflow 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.

Restricted Net Position

Restrictions of net position shown in the government-wide financial statements indicate restrictions imposed by the funding source or some other outside source which preclude their use for unrestricted purposes.

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, 2021, 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, 2021, \$1,911,210 of the Library's bank balance of \$2,706,420 was exposed to custodial credit risk because it was uninsured and uncollateralized. The uninsured amount consists of \$1,465,956 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 \$2,699,808. The Library also held \$2,867 on deposit with the Suburban Library Cooperative, which acts as a centralized purchasing account.

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.

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – DEPOSITS (continued)

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, 2021, 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.

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets not being depreciated				
Land	\$ 236,733	\$ -	\$ -	\$ 236,733
Capital assets being depreciated				
Buildings and improvements	5,643,138	-	-	5,643,138
Land improvements	-	179,431	-	179,431
Furniture and office equipment	844,410	-	(484,088)	360,322
Computer equipment	35,131	-	-	35,131
Machinery and equipment	98,130	-	-	98,130
Automobile	57,673	-	-	57,673
Library collection	2,083,436	165,539	(734,563)	1,514,412
Subtotal	8,761,918	344,970	(1,218,651)	7,888,237
Less accumulated depreciation for				
Buildings and improvements	(2,025,989)	(155,523)	-	(2,181,512)
Land improvements	-	(8,972)	-	(8,972)
Furniture and office equipment	(592,590)	(44,384)	484,088	(152,886)
Computer equipment	(2,342)	(7,026)	-	(9,368)
Machinery and equipment	(5,926)	(5,107)	-	(11,033)
Automobile	(481)	(11,535)	-	(12,016)
Library collection	(1,553,984)	(146,414)	734,563	(965,835)
Subtotal	(4,181,312)	(378,961)	1,218,651	(3,341,622)
Net capital assets being depreciated	4,580,606	(33,991)	-	4,546,615
Capital assets, net	\$ 4,817,339	\$ (33,991)	\$ -	\$ 4,783,348

NOTE 4 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations (including current portion) of the Library for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Direct placement					
Special assessment	\$ -	\$ 179,431	\$ (8,971)	\$ 170,460	\$ 8,972
Compensated absences	54,704	72,127	(72,449)	54,382	54,382
	\$ 54,704	\$ 251,558	\$ (81,420)	\$ 224,842	\$ 63,354

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - LONG-TERM OBLIGATIONS (continued)

Special Assessment

In July 2020 the Library was assessed \$179,431 by Washington Township for its share of improvements to the Township's sewer infrastructure. This assessment is due in annual installments of \$8,972 through July 2039, with interest of 3%, payable annually.

The annual requirements to pay the debt principal and interest outstanding for the special assessment are as follows:

Year Ending June 30,	Direct Placement		
	Principal	Interest	Total
2022	\$ 8,972	\$ 5,114	\$ 14,086
2023	8,972	4,845	13,817
2024	8,972	4,575	13,547
2025	8,972	4,306	13,278
2026	8,972	4,037	13,009
2027-2031	44,858	16,149	61,007
2032-2036	44,858	9,420	54,278
2037-2040	35,884	2,691	38,575
	<u>\$ 170,460</u>	<u>\$ 51,137</u>	<u>\$ 221,597</u>

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 \$54,382 at June 30, 2021.

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

Inactive employees or beneficiaries receiving benefits	20
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>3</u>
Total employees covered by MERS	<u><u>31</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, 2021, the Library contributed an additional \$242,000 to reduce the unfunded liability. Active covered employees contributed 3.00% of annual payroll for the year ended June 30, 2021.

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - DEFINED BENEFIT RETIREMENT PLAN (continued)

Payable to the Pension Plan

At June 30, 2021, there were no amounts outstanding by the Library for contributions to the pension plan required for the year ended June 30, 2021.

Net Pension Liability

The Library's net pension liability reported at June 30, 2021, was determined using a measure of the total pension liability and the pension net position as of December 31, 2020. The December 31, 2020 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, 2019	\$ 3,564,567	\$ 3,204,718	\$ 359,849
Service cost	18,781	-	18,781
Interest on total pension liability	261,916	-	261,916
Difference between expected and actual experience	(166,008)	-	(166,008)
Changes of assumptions	139,313	-	139,313
Employer contributions	-	179,148	(179,148)
Employee contributions	-	5,599	(5,599)
Net investment income	-	407,112	(407,112)
Benefit payments, including employee refunds	(255,392)	(255,392)	-
Administrative expense	-	(6,433)	6,433
Net changes	(1,390)	330,034	(331,424)
Balances at December 31, 2020	<u>\$ 3,563,177</u>	<u>\$ 3,534,752</u>	<u>\$ 28,425</u>

**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

For the year ended June 30, 2021, the Library recognized a pension benefit of \$26,204. 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	\$ -	\$ 112,794
Contributions subsequent to the measurement date*	300,608	-
Total	<u>\$ 300,608</u>	<u>\$ 112,794</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, 2022.

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
2022	\$ (22,809)
2023	5,334
2024	(62,022)
2025	(33,297)

Actuarial Assumptions

The total pension liability in the December 31, 2020, 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.

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - DEFINED BENEFIT RETIREMENT PLAN (continued)

Actuarial Assumptions (continued)

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.

Change in Assumptions

The actuarial assumptions were changed during the year as follows:

Increases in merit and longevity pay assumption.

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>	<u>Expected Money-Weighted Rate of Return</u>
Global Equity	60.00%	5.25%	3.15%
Global Fixed Income	20.00%	1.25%	0.25%
Private Investments	20.00%	7.25%	1.45%
	<u>100.00%</u>		
Inflation			2.50%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u>7.60%</u>

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - DEFINED BENEFIT RETIREMENT PLAN (continued)

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	\$ 386,538	\$ 28,425	\$ (277,646)

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, 2021, the Library contributed \$42,671 to the defined contribution plan for its employees. The Library employees contributed \$10,668 to the defined contribution plan for the year ended June 30, 2021.

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 \$17,578 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.

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - UNCERTAINTIES

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. The Library does not expect this matter to impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

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, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 2,215,000	\$ 2,215,000	\$ 2,219,502	\$ 4,502
State sources	102,000	102,000	105,644	3,644
Service fees	4,000	4,000	798	(3,202)
Book fines	4,000	4,000	3,371	(629)
Penal fines	20,000	20,000	32,015	12,015
Interest income	20,000	20,000	1,738	(18,262)
Gifts and memorials	5,500	5,500	7,046	1,546
Other	19,000	19,000	17,575	(1,425)
TOTAL REVENUES	2,389,500	2,389,500	2,387,689	(1,811)
EXPENDITURES				
Current				
Recreation and culture				
Salaries and wages	1,014,000	1,014,000	892,481	121,519
Employee benefits	421,300	611,300	596,840	14,460
Supplies	48,000	48,000	30,290	17,710
Contracted services	156,100	156,100	136,585	19,515
Public relations	28,000	28,000	10,001	17,999
Technology	100,000	100,000	90,720	9,280
Building maintenance	58,000	58,000	33,715	24,285
Utilities	94,500	85,529	77,846	7,683
Other charges	4,400	4,399	3,145	1,254
Library services and materials	85,700	85,700	58,976	26,724
Capital outlay				
Collections	207,200	207,200	165,539	41,661
Library improvements	150,000	150,000	213,111	(63,111)
Debt service				
Principal	-	8,971	8,971	-
TOTAL EXPENDITURES	2,367,200	2,557,199	2,318,220	238,979
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	22,300	(167,699)	69,469	237,168
OTHER FINANCING SOURCES				
Proceeds from issuance of debt	-	-	179,431	179,431
NET CHANGE IN FUND BALANCE	\$ 22,300	\$ (167,699)	248,900	\$ 416,599
Fund balance, beginning of year			2,467,414	
Fund balance, end of year			<u>\$ 2,716,314</u>	

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

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 18,781	\$ 21,193	\$ 20,020	\$ 19,673	\$ 18,713	\$ 29,224	\$ 57,495
Interest	261,916	264,832	263,221	258,898	256,193	240,684	231,333
Difference between expected and actual experience	(166,008)	1,864	(8,246)	22,037	(4,697)	71,496	-
Changes of assumptions	139,313	105,493	-	-	-	155,688	-
Benefit payments, including employee refunds	(255,392)	(257,212)	(253,701)	(239,785)	(233,949)	(179,681)	(143,014)
Other	-	(1)	-	-	(2)	-	-
Net change in total pension liability	(1,390)	136,169	21,294	60,823	36,258	317,411	145,814
Total Pension Liability, beginning	3,564,567	3,428,398	3,407,104	3,346,281	3,310,023	2,992,612	2,846,798
Total Pension Liability, ending	<u>\$ 3,563,177</u>	<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	\$ 179,148	\$ 446,460	\$ 112,842	\$ 73,674	\$ 47,424	\$ 32,622	\$ 16,788
Contributions - employee	5,599	5,801	5,623	5,531	5,746	11,913	14,379
Net investment income (loss)	407,112	363,383	(110,137)	351,507	289,737	(40,971)	171,758
Benefit payments, including employee refunds	(255,392)	(257,212)	(253,701)	(239,785)	(233,949)	(179,681)	(143,014)
Administrative expenses	(6,433)	(6,217)	(5,543)	(5,578)	(5,728)	(6,044)	(6,291)
Net change in plan fiduciary net position	330,034	552,215	(250,916)	185,349	103,230	(182,161)	53,620
Plan Fiduciary Net Position, beginning	3,204,718	2,652,503	2,903,419	2,718,070	2,614,840	2,797,001	2,743,381
Plan Fiduciary Net Position, ending	<u>\$ 3,534,752</u>	<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>\$ 28,425</u>	<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	99%	90%	77%	85%	81%	79%	93%
Covered payroll	\$ 169,967	\$ 193,369	\$ 187,629	\$ 184,377	\$ 172,466	\$ 265,479	\$ 479,274
Library's Net Pension Liability as a percentage of covered payroll	17%	186%	414%	273%	364%	262%	41%

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

	2021	2020	2019	2018	2017	2016	2015
Actuarial determined contributions	\$ 158,460	\$ 116,592	\$ 92,328	\$ 91,356	\$ 55,992	\$ 38,856	\$ 30,960
Contributions in relation to the actuarially determined contribution	400,460	458,592	134,328	91,356	55,992	38,856	30,960
Contribution deficiency (excess)	<u>\$ (242,000)</u>	<u>\$ (342,000)</u>	<u>\$ (42,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 171,896	\$ 181,776	\$ 190,550	\$ 185,123	\$ 179,510	\$ 265,479	\$ 479,274
Contributions as a percentage of covered payroll	233%	252%	70%	49%	31%	15%	6%

**ROMEO DISTRICT LIBRARY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021**

NOTE 1 - EMPLOYEE RETIREMENT PLAN

Changes of Benefits Terms: There were no significant changes of benefit terms during plan year 2020.

Changes in Assumptions: Increases in merit and longevity pay assumptions.

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated. The approved budget of the Library has been adopted at the functional level. During the year ended June 30, 2021, the Library incurred expenditures in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Capital outlay	\$ 357,200	\$ 378,650	\$ 21,450