

CHESTERFIELD TOWNSHIP LIBRARY

Chesterfield, Michigan

FINANCIAL REPORT

WITH SUPPLEMENTAL INFORMATION

December 31, 2019

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Chesterfield, Michigan
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INDEPENDENT AUDITOR'S REPORT

July 27, 2020

Board of Trustees
Chesterfield Township Library
Chesterfield, Michigan

Honorable Members:

We have audited the accompanying financial statements of the Chesterfield Township Library, a component unit of the Charter Township of Chesterfield, as of and for the year ended December 31, 2019 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 an opinion 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 opinion.

Board of Trustees
Chesterfield Township Library
July 27, 2020
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Chesterfield Township Library, as of December 31, 2019, 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, and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Respectfully,

BUSS & COMPANY, P.C.



Certified Public Accountants

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CHESTERFIELD TOWNSHIP LIBRARY
 Chesterfield, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2019

Using this Annual Report

This annual report consists of three parts - *Management's discussion and analysis* (this section), the *basic financial statements*, and *required supplemental information*. The basic financial statements include information that presents two different views of the Library:

The *government-wide financial statements* provide both *long-term* and *short-term* information about the Library's *overall* financial status. The statement of net position and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.

The governmental fund financial statements include information on the Library under the modified accrual method. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.

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 supplemental information* that further explains and supports the information in the financial statements.

Condensed Financial Information

In a condensed format, the table below shows a comparison of key financial information for the current year to the prior year.

	<u>2019</u>	<u>2018</u>
Current assets	\$ 3,738,060	\$ 3,016,309
Contributions receivable	10,000	697,539
Net pension asset	188,698	140,089
Capital assets	558,840	580,912
Total Assets	<u>\$ 4,495,598</u>	<u>\$ 4,434,849</u>
Deferred outflows of resources	<u>\$ 69,256</u>	<u>\$ 147,304</u>
Other liabilities	<u>\$ 70,643</u>	<u>\$ 56,525</u>
Total Liabilities	<u>\$ 70,643</u>	<u>\$ 56,525</u>
Deferred Inflows of Resources	<u>\$ 1,066,067</u>	<u>\$ 1,014,268</u>
Net Position:		
Invested in capital assets, net of related debt and accrued interest	\$ 558,840	\$ 580,912
Restricted	10,000	697,539
Unrestricted	2,859,304	2,232,910
Total Net Position	<u>\$ 3,428,144</u>	<u>\$ 3,511,361</u>
Revenue:		
Property taxes	\$ 1,016,616	\$ 970,717
Other	940,283	309,179
Total Revenue	<u>\$ 1,956,899</u>	<u>\$ 1,279,896</u>
Expenses - Library services	<u>1,352,577</u>	<u>1,215,214</u>
Net Revenue	<u>\$ 604,322</u>	<u>\$ 64,682</u>
Increase (Decrease) in Restricted Net Position	<u>(687,539)</u>	<u>(177,690)</u>
Change in Net Position	<u>\$ (83,217)</u>	<u>\$ (113,008)</u>

(Continued)

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
December 31, 2019

Condensed Financial Information (Continued)

- The Library's net position decreased by \$83,217 this year to \$3,428,144. Unrestricted net position at the end of the year was \$2,859,304, an increase of \$626,394. Restricted net position was \$10,000, a decrease of \$687,539 from the previous year end. The net investment in capital assets was \$558,840, a decrease of \$22,072 from the previous year end.
- The Library's primary source of revenue is from property taxes, which represents 52% of total revenue.
- Total expenses were 69% of total revenue for 2019. Salaries amount to approximately 44% of total expenses. Benefits amount to 11% of total expenses.

The Library's Fund

Our analysis of the Library's fund is included on pages 7 and 9. The Library Board has the ability to create separate funds to help manage money for specific purposes, and to maintain accountability for certain activities, such as special property tax millages. All of the Library's activities are reported in a single fund.

The fund balance of the Library increased during the current year by \$651,075. Revenues exceeded budgeted amounts by \$728,167 due primarily to the release of the Tobin-Grow Estate contribution, which had been restricted. Budgeted expenditures exceeded actual expenditures by \$72,886, due primarily to favorable variances in salaries and wages, benefits, supplies and contractual services.

Library Budgetary Highlights

Over the course of the year, the Library may revise its budget as it attempts to deal with unexpected changes in revenues and expenditures.

Capital Assets

At the end of the fiscal year, the Library had \$1,250,997 invested in land, building improvements, furniture and fixtures, equipment, and books and materials. The Library added \$88,737 in equipment, and new collection items consisting of new books and various audio/visual materials. The total amount of capital assets disposed of had a cost basis of \$70,067, which had a net book value of \$ -0-.

Economic Factors and Considerations for Next Year

The Library's goal is to maintain and enhance the services that are provided to the public utilizing the most efficient and effective methods. The Library has a conservative and financially prudent budget for 2020 that will promote several of the Library's activities and programs. The Covid-19 pandemic will have an effect on operations in 2020. The significance of the affect is not known at this time.

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 at 50560 Patricia Avenue, Chesterfield Township, Michigan 48051.

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
STATEMENT OF NET POSITION
December 31, 2019

Exhibit 1

ASSETS

Cash and cash equivalents	\$ 382,378
Investments	2,341,359
Taxes receivable	966,643
Due from other governmental units	11,622
Prepays and other assets	36,058
Net pension asset	188,698
Contribution receivable	10,000
Capital assets	<u>558,840</u>
Total Assets	<u>\$ 4,495,598</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflow of resources related to pensions	<u>\$ 69,256</u>
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LIABILITIES

Accounts payable and accrued liabilities	\$ 33,690
Accumulated employee leave benefits	11,183
Unearned revenue	<u>25,770</u>
Total Liabilities	<u>\$ 70,643</u>

DEFERRED INFLOWS OF RESOURCES

Property taxes levied for a subsequent period	<u>\$ 1,066,067</u>
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NET POSITION

Invested in capital assets, net of related debt and accrued interest	\$ 558,840
Restricted	10,000
Unrestricted	<u>2,859,304</u>
Total Net Position	<u>\$ 3,428,144</u>

See accompanying notes to financial statements.

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
<u>FUNCTION/PROGRAM:</u>				
Governmental Activities:				
Library services/operations	\$ 1,352,577	\$ 20,619	\$ 771,525	\$ (560,433)
<u>GENERAL REVENUES:</u>				
Property taxes				\$ 1,016,616
State revenues				109,393
Interest on investments				38,746
Total General Revenues				\$ 1,164,755
NET REVENUE - GOVERNMENTAL ACTIVITIES				\$ 604,322
INCREASE (DECREASE) IN RESTRICTED NET POSITION				(687,539)
CHANGE IN NET POSITION				\$ (83,217)
<u>NET POSITION:</u>				
Beginning of year				3,511,361
End of year				\$ 3,428,144

See accompanying notes to financial statements.

CHESTERFIELD TOWNSHIP LIBRARY
 Chesterfield, Michigan
 COMPARATIVE BALANCE SHEETS
 December 31, 2019 and 2018

Exhibit 3

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 382,378	\$ 196,404
Investments	2,341,359	1,852,721
Taxes receivable	966,643	933,015
Due from other governmental units	11,622	3,721
Prepays and other assets	36,058	30,448
Contribution receivable	10,000	697,539
Total Assets	<u>\$ 3,748,060</u>	<u>\$ 3,713,848</u>
<u>LIABILITIES</u>		
Accounts payable	\$ 33,690	\$ 33,122
Unearned revenue-Grants/donations	25,770	7,462
Total Liabilities	<u>\$ 59,460</u>	<u>\$ 40,584</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Property taxes levied for a subsequent period	\$ 1,066,067	\$ 1,014,267
Restricted contributions unavailable until future periods	10,000	697,539
Total Deferred Inflows of Resources	<u>\$ 1,076,067</u>	<u>\$ 1,711,806</u>
<u>FUND BALANCE</u>		
Nonspendable prepaids	\$ 33,869	\$ 28,179
Restricted for material purchases	32,153	11,287
Assigned	732,500	718,132
Unassigned	1,814,011	1,203,860
Total Fund Balance	<u>\$ 2,612,533</u>	<u>\$ 1,961,458</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 3,748,060</u>	<u>\$ 3,713,848</u>

See accompanying notes to financial statements.

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
RECONCILIATION OF FUND BALANCE TO THE STATEMENT OF NET POSITION
For The Year Ended December 31, 2019

TOTAL FUND BALANCE - MODIFIED ACCRUAL BASIS	\$ 2,612,533
Amounts reported in the statement of net position are different because:	
Net Pension asset	188,698
Capital assets are not financial resources and are not reported in the funds	558,840
Deferred outflows of resources-pension related to change in assumptions	18,809
Deferred outflows of resources-pension difference between projected and actual investment earnings	5,578
Deferred outflows of resources-pension differences related to differences in expected and actual experience	44,869
Accumulated employee leave benefits are not due and payable in the current period and therefore are not reported in the funds	(11,183)
Contributions receivable are not available to pay for current period expenditures and therefore are deferred in the funds	<u>10,000</u>
TOTAL NET POSITION - FULL ACCRUAL BASIS	<u>\$ 3,428,144</u>

See accompanying notes to financial statements.

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 For The Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>REVENUES:</u>		
Property taxes	\$ 1,016,616	\$ 970,717
Penal fines	44,999	37,566
State aid	36,892	35,926
Local Community Stabilization	27,502	51,176
Charges, fees, and fines	16,901	17,723
Interest and investment earnings	38,746	33,386
Donations	756,094	116,690
Grants and reimbursements	15,431	13,383
Miscellaneous	3,718	3,329
Total Revenues	<u>\$ 1,956,899</u>	<u>\$ 1,279,896</u>
<u>EXPENDITURES:</u>		
Salaries and wages	\$ 589,185	\$ 531,716
Benefits	153,284	173,168
Supplies	50,669	53,816
Contractual services	226,956	172,588
Insurance	10,490	7,145
Utilities	30,735	31,475
Maintenance	544	473
Lease	118,800	115,650
Miscellaneous	8,153	7,051
Capital outlay	117,008	275,742
Total Expenditures	<u>\$ 1,305,824</u>	<u>\$ 1,368,824</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 651,075</u>	<u>\$ (88,928)</u>
FUND BALANCE - JANUARY 1	<u>1,961,458</u>	<u>2,050,386</u>
FUND BALANCE - DECEMBER 31	<u><u>\$ 2,612,533</u></u>	<u><u>\$ 1,961,458</u></u>

See accompanying notes to financial statements.

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2019

NET CHANGE IN FUND BALANCE - MODIFIED ACCRUAL BASIS \$ 651,075

Amounts reported in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation expense.

Depreciation expense	\$ (110,809)	
Capital outlay - in excess of \$2,000	<u>88,737</u>	
Total		(22,072)

Change in deferred outflows/inflows of resources related to pension (78,048)

Change in net pension asset 48,609

Revenue reported in the statement of activities that does not provide financial resources and are deferred in the governmental funds.

Deferred revenue - Beginning	\$ (697,539)	
Deferred revenue - Ending	<u>10,000</u>	
Total		(687,539)

Expenses for employee leave benefits are recorded when earned in the statement of activities:

Reversal of employee leave benefits earned prior to 2019	\$ 15,941	
2019 earned employee leave benefits	<u>(11,183)</u>	
Total Effect of Employee Leave Benefits		<u>4,758</u>

CHANGE IN NET POSITION - FULL ACCRUAL BASIS \$ (83,217)

See accompanying notes to financial statements.

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Chesterfield Township Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

A. GOVERNMENTAL REPORTING ENTITY

The Library is located in the Charter Township of Chesterfield, Michigan and is governed by an elected six-member board. The Library was formed under P.A. 164 of 1877 and remains a fund of the Township. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board and include only the results of operations of the Library.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net position includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net position is reported in three parts - invested in capital assets, net of related debt; restricted; and unrestricted net position.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to library patrons who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues, and are reported instead as general revenue.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Library reports all of its activities in a single fund on the modified accrual basis.

(Continued)

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2019

C. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND FUND BALANCE

Cash and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value.

Receivables and Payables – Property taxes receivable represent uncollected property taxes levied on December 1, 2019.

Chesterfield Township property tax is levied on each December 1st on the taxable value of property (as defined by state statutes) located in the Township.

Although the Library's 2019 property tax is levied and collectible on December 1, 2019, it is the Library's policy to recognize revenue from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made available for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2019 taxable valuation of the Township totals approximately \$1.7 billion, on which ad valorem taxes levied consisted of .6184 mills for Library operations, raising \$1,066,067 for Library operating purposes. This amount is recognized in the financial statements as taxes receivable with an offsetting credit to deferred inflows of resources. Taxes receivable has been reduced for amounts received during 2019.

Capital Assets – Capital assets are defined by the Library as assets with an initial cost of more than \$2,000 and an estimated useful life in excess of two years. Due to the significance of the Library's annual acquisition of Library books and materials and the shelf life on most materials extended beyond two years, annual acquisitions of books and materials are treated as capitalized assets in order to spread their cost over their estimated useful life. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture and equipment	5-20 years
Improvements	25 years
Library books and materials	5-7 years

Deferred Outflows of Resources – In addition to assets, the statement of financial 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources are reported in the government-wide financial statements for pension related items.

Unearned Revenue – Governmental funds defer the recognition of revenue in connection with resources that have been received but not yet earned. At the end of the fiscal year, all unearned revenue of the Library related entirely to grants and donations.

Compensated Absences – Employees of the Library earn leave benefits on an annual basis. Employees are required to use a portion of the leave each year and are allowed to carryover amounts with some restrictions. A liability for annual leave benefits has been accrued in the government-wide financial statements.

Deferred Inflows of Resources – In addition to liabilities, the statement of net position and governmental funds 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 that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting from property taxes levied for a subsequent period and for restricted contributions which are unavailable until future periods. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, deferred inflows of resources are reported in the government-wide financial statements for property taxes levied during the year that were intended to finance future periods.

(Continued)

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2019

C. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND FUND BALANCE (Continued)

Pensions – For 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.

Fund Balance – In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represents tentative management plans that are subjective to change. Management's authority to create these assignments are established by the Board. When an expense is incurred for purposes for which both restricted and unrestricted fund balances are available, the Library's policy is to first apply unrestricted resources. When an expense is incurred for which restricted, assigned, and unassigned fund balances are available, the Library's policy is to use unassigned fund balance first.

Assigned fund balance is intended for the following purpose:

General Fund	\$632,914	Provide funding for building or future expansion
	<u>99,586</u>	Subsequent year budget
	<u>\$732,500</u>	

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS

An annual operating budget on the modified accrual basis of accounting consistent with generally accepted accounting principles is formally adopted for the Library. The budget can be amended by approval of the majority of the Board of Trustees. Amendments are presented to the Board at their regular meetings. All annual appropriations lapse at fiscal year end.

III. DETAILED NOTES

A. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Library to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

(Continued)

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2019

A. DEPOSITS AND INVESTMENTS (Continued)

The investment policy adopted by the Library in accordance with Public Act 20 of 1943 (as amended) authorizes investments in U.S. Treasuries, U.S. Agencies, instrumentalities, certificates of deposit, commercial paper (meeting certain rating and maturity requirements), investment pools and mutual funds.

At year-end the Library's deposits and investments were reported in the basic financial statements in the following categories:

Cash and cash equivalents	\$ 382,378
Investments	<u>2,341,359</u>
Total	<u><u>\$ 2,723,737</u></u>

The breakdown between deposits and investments is as follows:

Bank deposits (checking and savings accounts, certificates of deposit)	\$ 831,741
Investments in securities, mutual funds and similar vehicles	1,890,934
Cash on hand	<u>1,062</u>
Total	<u><u>\$ 2,723,737</u></u>

The Library's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk.

At year end, bank deposits reflected in the accounts of the bank at \$750,958 were covered by federal depository insurance up to \$250,000. The Library believes that due to dollar amounts of cash deposits and the limits of FDIC insurance, it is not always practical to insure all bank deposits. As a result, the Library evaluates each financial institution it deposits Library funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law limits investments in commercial paper to the top two ratings. The Library's investment policy does not place additional limitations relating to credit risk.

Fair Value Measurement - The Library categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At year end the Library held the following investments:

	<u>FAIR VALUE</u>	<u>CLASSIFICATION</u>	<u>RATING</u>
Comerica Investment Fund	\$ 1,890,934	Level 1	Not Rated

(Continued)

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2019

B. CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2019 follows:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>ENDING BALANCE</u>
<u>NON-DEPRECIABLE ASSETS:</u>				
Land	\$ 118,125	\$ -	\$ -	\$ 118,125
<u>CAPITAL ASSETS BEING DEPRECIATED:</u>				
Improvements	\$ 235,253	\$ -	\$ -	\$ 235,253
Equipment	84,054	4,411	-	88,465
Furniture and fixtures	67,703	-	-	67,703
Library books and material	727,192	84,326	70,067	741,451
Total Depreciable Assets	\$ 1,114,202	\$ 88,737	\$ 70,067	\$ 1,132,872
Total Assets	\$ 1,232,327	\$ 88,737	\$ 70,067	\$ 1,250,997
Accumulated depreciation	(651,415)	(110,809)	(70,067)	(692,157)
Net Book Value	\$ 580,912	\$ (22,072)	\$ -	\$ 558,840

C. LEASES

The Library leases its current facility under an operating lease dated April 23, 2005 which has been extended through August 15, 2020. Monthly rent payments are \$9,900. The Library is also responsible for insurance and utilities. Rent expense for the year ended December 31, 2019 was \$118,800.

The future minimum annual lease expense under this agreement is as follows:

2020	\$ 96,300
2021	-
2022	-
2023	-
2024	-
Total	\$ 96,300

(Continued)

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2019

IV. DEFERRED COMPENSATION PLAN

The Library has adopted a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or financial hardship.

The assets of the plan are held in trust as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries and may not be diverted to any other use. In accordance with generally accepted accounting principles, the plan assets and activities are not reflected in the Library's financial statements.

V. DEFINED BENEFIT PENSION PLAN

Plan Description – The Library's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. 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 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 accessing the MERS website at www.mersofmich.com.

Benefits Provided – Retirement benefits for employees are calculated as 2.25 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 55 with 15 years of service. Vesting period is six years.

Employees Covered by Benefit Terms – At the December 31, 2018 valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	6
Active employees	6
	<u>15</u>

Contributions – The employer 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 employer may establish contribution rates to be paid by its covered employees.

Net Pension Asset – The employer's net pension asset was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of December 31, 2018 and rolled forward to December 31, 2019.

Actuarial Assumptions – The total pension liability in the December 31, 2018 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%
Salary increases: 3.75% in the long-term.
Investment rate of return: 7.75%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009-2013.

(Continued)

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2019

V. DEFINED BENEFIT PENSION PLAN (Continued)

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 geometric real rates of return for each major asset class are summarized in the following table:

<u>ASSET CLASS</u>	<u>TARGET ALLOCATION</u>	<u>TARGET ALLOCATION GROSS RATE OF RETURN</u>	<u>LONG-TERM EXPECTED GROSS RATE OF RETURN</u>	<u>INFLATION ASSUMPTION</u>	<u>LONG-TERM EXPECTED REAL RATE OF RETURN</u>
Global Equity	55.50%	8.65%	4.80%	2.50%	3.41%
Global Fixed Income	18.50%	3.76%	0.70%	2.50%	0.24%
Private Investments	26.00%	8.65%	2.25%	2.50%	1.60%
Total	100.00%		7.75%		5.25%

Discount Rate – The discount rate used to measure the total pension liability is 8%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. 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. 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.

Changes in the net pension liability (asset) during the measurement year were as follows:

<u>CHANGES IN NET PENSION LIABILITY (ASSET)</u>	<u>INCREASE (DECREASE)</u>		
	<u>TOTAL PENSION LIABILITY</u>	<u>PLAN NET POSITION</u>	<u>NET PENSION LIABILITY (ASSET)</u>
BALANCE AT DECEMBER 31, 2018	\$ 1,336,787	\$ 1,476,876	\$ (140,089)
Service cost	\$ 38,078	\$ -	\$ 38,078
Interest	105,455	-	105,455
Difference between expected and actual experience	52,523	-	52,523
Changes in assumptions	-	-	-
Contributions - Employer	-	27,813	(27,813)
Contributions - Employee	-	10,430	(10,430)
Net investment income	-	200,297	(200,297)
Benefit payments, including refunds	(75,267)	(75,267)	-
Administrative expenses and other	(9,576)	(3,451)	(6,125)
NET CHANGES	\$ 111,213	\$ 159,822	\$ (48,609)
BALANCE AT DECEMBER 31, 2019	\$ 1,448,000	\$ 1,636,698	\$ (188,698)

(Continued)

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2019

V. DEFINED BENEFIT PENSION PLAN (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the employer, calculated using the discount rate of 8 percent, as well as what the employer's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	<u>1% DECREASE</u> <u>(7%)</u>	<u>CURRENT</u> <u>DISCOUNT RATE</u> <u>(8%)</u>	<u>1% INCREASE</u> <u>(9%)</u>
Net Pension Liability (Asset) of the Library	\$ (15,541)	\$ (188,698)	\$ (334,662)

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended 12/31/19 the employer recognized pension expense of \$57,249. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>DEFERRED</u> <u>OUTFLOWS</u> <u>OF RESOURCES</u>	<u>DEFERRED</u> <u>INFLOWS</u> <u>OF RESOURCES</u>
Excess (deficit) investment returns	\$ 5,578	\$ -
Differences in assumptions	18,809	-
Differences in experience	44,869	-
Total	<u>\$ 69,256</u>	<u>\$ -</u>

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

2020	\$ 22,424
2021	30,418
2022	33,168
2023	(16,754)
2024	-
Thereafter	-
Total	<u>\$ 69,256</u>

(Continued)

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2019

VI. RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for these claims. Settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

VII. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The Library has created the Chesterfield Township Library Retiree Welfare Benefits Plan. The Plan is administered by ICMA Retirement Corporation and is a defined contribution plan. The Plan has been established to reimburse the eligible retirees of the employer for medical and dental expenses incurred by them, their spouses and dependents. All full-time employees are required to contribute 2% of gross wages to the Plan. Employer contributions are discretionary and will be determined each Plan year. For the year ended December 31, 2019, employer contributions totaled \$8,400 and employee contributions totaled \$7,193.

The Library has also entered into a "Retirement Payment Agreement" with a former Executive Director of the Library. The Agreement calls for monthly payments representing reimbursement of certain health care insurance costs. The payments will continue for the life of the former Executive Director. An actuarial analysis of the present value of these benefits has not been conducted. For the year ended December 31, 2019, the Library incurred \$6,426 in expenditures related to this Agreement.

VIII. RESTRICTED CONTRIBUTION

During 2007, the Library received a bequest from Betty Lou Tobin. The approximate value of the contribution was \$1.2 million. Each year the Library is entitled to use the income from the Trust and up to 10% of the Trust principal. The funds are restricted for the acquisition of books of all types, including large print books, books on audio tape or similar devices, computers, including software and hardware as well as for furnishings within the Library building. During 2019 the Library received \$754,125 in substantial liquidation of the trust. The approximate value of the assets held in trust at December 31, 2019 was \$10,000. These funds are being held to cover final administrative costs and any remaining funds should be released in 2020.

IX. SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through July 27, 2020, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

CHESTERFIELD TOWNSHIP LIBRARY
 Chesterfield, Michigan
 BUDGETARY COMPARISON SCHEDULE
 For The Year Ended December 31, 2019

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET FAVORABLE (UNFAVORABLE)
REVENUES:				
Property taxes	\$ 976,432	\$ 976,432	\$ 1,016,616	\$ 40,184
Penal fines	35,000	35,000	44,999	9,999
State aid	30,000	30,000	36,892	6,892
Local Community Stabilization	30,000	30,000	27,502	(2,498)
Charges, fees and fines	11,400	11,400	16,901	5,501
Interest and investment earnings	7,000	7,000	38,746	31,746
Donations	120,000	120,000	756,094	636,094
Miscellaneous	18,900	18,900	19,149	249
Total Revenues	\$ 1,228,732	\$ 1,228,732	\$ 1,956,899	\$ 728,167
EXPENDITURES:				
Salaries and wages	\$ 596,500	\$ 596,500	\$ 589,185	\$ 7,315
Benefits	170,800	170,800	153,284	17,516
Supplies	68,100	60,600	50,669	9,931
Contractual services	171,480	243,740	226,956	16,784
Insurance	10,600	10,600	10,490	110
Utilities	37,900	37,900	30,735	7,165
Maintenance	3,500	3,500	544	2,956
Lease	118,800	118,800	118,800	-
Miscellaneous	10,000	10,000	8,153	1,847
Capital outlay	126,270	126,270	117,008	9,262
Total Expenditures	\$ 1,313,950	\$ 1,378,710	\$ 1,305,824	\$ 72,886
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (85,218)	\$ (149,978)	\$ 651,075	\$ 801,053

See accompanying notes to financial statements.

CHESTERFIELD TOWNSHIP LIBRARY
 Chesterfield, Michigan
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY
AND RELATED RATIOS

	<u>12/31/19</u>	<u>12/31/18</u>	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>
<u>TOTAL PENSION LIABILITY:</u>					
Service cost	\$ 38,078	\$ 29,661	\$ 20,968	\$ 36,876	\$ 30,646
Interest	105,455	98,796	94,426	91,317	83,939
Difference between actual and expected experience	52,523	27,641	4,859	(30,862)	-
Changes in assumptions	-	-	-	56,429	-
Benefit payments including employee refunds	(75,267)	(75,267)	(82,063)	(21,403)	(21,403)
Other	(9,576)	(1,793)	8,688	(20,622)	(6,872)
NET CHANGE IN TOTAL PENSION LIABILITY	\$ 111,213	\$ 79,038	\$ 46,878	\$ 111,735	\$ 86,310
TOTAL PENSION LIABILITY - BEGINNING	<u>1,336,787</u>	<u>1,257,749</u>	<u>1,210,871</u>	<u>1,099,136</u>	<u>1,012,826</u>
TOTAL PENSION LIABILITY - ENDING	<u>\$1,448,000</u>	<u>\$1,336,787</u>	<u>\$1,257,749</u>	<u>\$1,210,871</u>	<u>\$1,099,136</u>
<u>PLAN FIDUCIARY NET POSITION:</u>					
Contributions - Employer	\$ 27,813	\$ 58,061	\$ 25,388	\$ 41,520	\$ 40,493
Contributions - Employee	10,430	9,739	8,614	10,404	9,797
Net investment income	200,297	(60,539)	185,496	143,584	(18,932)
Benefit payments including employee refunds	(75,267)	(75,267)	(82,063)	(21,403)	(21,403)
Administrative expense	(3,451)	(2,998)	(2,940)	(2,832)	(2,747)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	\$ 159,822	\$ (71,004)	\$ 134,495	\$ 171,273	\$ 7,208
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>1,476,876</u>	<u>1,547,880</u>	<u>1,413,385</u>	<u>1,242,112</u>	<u>1,234,904</u>
PLAN FIDUCIARY NET POSITION - ENDING	<u>\$1,636,698</u>	<u>\$1,476,876</u>	<u>\$1,547,880</u>	<u>\$1,413,385</u>	<u>\$1,242,112</u>
EMPLOYER NET PENSION LIABILITY (ASSET)	<u>\$ (188,698)</u>	<u>\$ (140,089)</u>	<u>\$ (290,131)</u>	<u>\$ (202,514)</u>	<u>\$ (142,976)</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	113%	110%	123%	117%	113%
COVERED EMPLOYEE PAYROLL (FROM GASB 68 ACTUARIAL PAGE)	\$ 321,943	\$ 255,713	\$ 181,097	\$ 326,921	\$ 282,640
EMPLOYER'S NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	(59%)	(55%)	(160%)	(62%)	(50%)

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Library presents information for those years for which information is available.

See accompanying notes to financial statements.

CHESTERFIELD TOWNSHIP LIBRARY
Chesterfield, Michigan
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS

	<u>12/31/19</u>	<u>12/31/18</u>	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>
ACTUARIAL DETERMINED CONTRIBUTIONS	\$ -	\$ -	\$ -	\$ -	\$ -
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>27,813</u>	<u>58,061</u>	<u>25,388</u>	<u>41,520</u>	<u>40,493</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ (27,813)</u>	<u>\$ (58,061)</u>	<u>\$ (25,388)</u>	<u>\$ (41,520)</u>	<u>\$ (40,493)</u>
COVERED EMPLOYEE PAYROLL	\$ 321,943	\$ 255,713	\$ 181,097	\$ 326,921	\$ 282,640
CONTRIBUTIONS AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	9%	23%	14%	13%	14%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Library presents information for those years for which information is available.

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