

**ORION TOWNSHIP PUBLIC LIBRARY
LAKE ORION, MICHIGAN**

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

YEAR ENDED DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Orion Township Public Library
Lake Orion, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Orion Township Public Library, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Orion Township Public Library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Orion Township Public Library, as of December 31, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Orion Township Public Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Orion Township Public Library's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Orion Township Public Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Orion Township Public Library's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and other post-employment benefit plan schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Maney Costeiman PC

May 11, 2023

ORION TOWNSHIP PUBLIC LIBRARY MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Reporting

The Orion Township Public Library, (the "Library") has continued to revise and improve its financial report document as a result of standards set by the Governmental Accounting Standards Board (GASB). The intent of these standards is to provide citizens, taxpayers, and library users with a better understanding of how the Library's money and other assets are managed.

The standards set by GASB are intended to give the reader of this annual financial report a better understanding of the financial status of the Library by introducing accounting rules and systems that are common in the private sector. This report represents a broad picture of the Library's financial status. Through the comprehensive reporting of assets and liabilities, the reader should have a greater understanding of the Library's financial health.

The Library management's discussion and analysis of financial performance provides an overview of the Library's financial activities for the year ended December 31, 2022. Please read it in conjunction with the Library's financial statements which immediately follow this section.

Financial Highlights

As discussed in further detail in this section, the following represents the most significant financial highlights for the year ended December 31, 2022:

- The assets and deferred outflows of resources of the Library exceeded its liabilities and deferred inflows of resources at the end of the most recent fiscal year by \$5,272,493 (net position) at the government-wide level.
- The Library's total net position increased \$115,068 as a result of current year activity at the government-wide level.
- At the close of the fiscal year, the Library's general fund reported a fund balance of \$3,558,663.

Using this Annual Report

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

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Library in more detail than the government-wide financial statements by providing information about the Library's most significant funds.

**ORION TOWNSHIP PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Library as a Whole

The following table shows, in condensed format, the net position as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
ASSETS		
Current and other assets	\$ 4,239,063	\$ 4,058,480
Capital assets, net	<u>1,471,802</u>	<u>1,205,358</u>
TOTAL ASSETS	<u>5,710,865</u>	<u>5,263,838</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>18,703</u>	<u>21,898</u>
LIABILITIES		
Current liabilities	173,416	128,311
Noncurrent liabilities	<u>31,662</u>	<u>-</u>
TOTAL LIABILITIES	<u>205,078</u>	<u>128,311</u>
DEFERRED INFLOWS OF RESOURCES	<u>251,997</u>	<u>-</u>
NET POSITION		
Investment in capital assets	1,471,802	1,205,358
Restricted	418,494	419,968
Unrestricted	<u>3,382,197</u>	<u>3,532,099</u>
TOTAL NET POSITION	<u>\$ 5,272,493</u>	<u>\$ 5,157,425</u>

The Library's total net position was \$5,272,493 at December 31, 2022, an increase of \$115,958 over the total net position at the end of the previous fiscal year. Unrestricted net position (the part of net position that can be used to finance day-to-day operations) was \$3,382,197 at the end of the fiscal year, a decrease of \$149,902 over the previous year end. The investment in capital assets was \$1,471,802, an increase of \$266,444 over the previous fiscal year.

**ORION TOWNSHIP PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following table shows the changes in net position during the years ended December 31, 2022 and 2021:

	2022	2021
REVENUES		
Program revenue		
Grant income	\$ 5,980	\$ 2,722
Donations revenue	49,566	149,450
Penal fines	57,090	62,497
Library fines	7,417	10,516
Copier service	7,430	5,103
Lost or damaged income	3,854	3,298
General revenue		
Property taxes	2,632,997	2,541,980
State shared revenues	37,550	30,697
Local community stabilization	13,480	20,761
Interest income	19,356	12,571
Realized and unrealized (loss) on investments	(30,936)	(10,375)
Miscellaneous	6,126	3,527
	2,809,910	2,832,747
PROGRAM EXPENSES		
Library services/recreation and culture	2,694,842	2,503,034
Change in net position	\$ 115,068	\$ 329,713

Governmental Activities

The Library's governmental revenues totaled \$2,809,910 with the greatest revenue source being property taxes. Property taxes make up approximately 94% of total governmental revenue. Total revenue decreased approximately 1% compared to the prior year as a result of a decrease in donation revenue from the previous year. Declining Penal Fine revenue and the removal of library fines also contributed to lower overall revenue.

The Library incurred expenses of \$2,694,842 during the year. This includes operational expenses as well as depreciation. Total expenses increased approximately 8% compared to the prior year as a result of filling positions that were vacant for much of the prior year. The Library also invested in capital improvements such as a new roof and new self-checkout machines that were of significant cost.

The Library's Funds

General Fund

The analysis of the Library's major fund begins on page 10, as part of the basic financial statements. The Trustees of the Orion Township Public Library may create funds to help manage money for specific purposes as well as to show accountability for certain activities.

ORION TOWNSHIP PUBLIC LIBRARY MANAGEMENT'S DISCUSSION AND ANALYSIS

The Library maintains one governmental fund, out of which fund balance of \$65,848 is restricted for the preservation of local history. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the Library's major fund. The General Fund is the sole major fund for the fiscal year ended December 31, 2022, for financial reporting purposes as defined by GASB Statement No. 34. The Library incurred \$2,910,589 in expenditures for 2022, to operate the library, including \$634,864 in capital improvements, library books, and materials. Revenue totaled \$2,809,910. The net loss for the Library for 2022 was \$100,679 (revenues under expenditures) creating a fund balance of \$3,558,663.

Retiree Healthcare Trust Fund

The Library's Retiree Healthcare Trust Fund financial statements begin on page 12. This fund was established to set aside money for retired Library employee's healthcare costs.

The trust fund recognized \$424 in investment earnings, a decrease of approximately 66% from the previous year. The trust fund also recognized \$7,151 of expenses for benefits provided and related administrative expenses, resulting in a decrease in net position of the trust fund of \$3,797.

Budgetary Highlights

The Orion Township Public Library Board of Trustees adopts an annual budget as required by P.A. 164 of 1877, as amended. The Board then determines the amount of millage that is required to support the budget at the August Board meeting. The Board then adopts a resolution to be given to the Township to collect the required millage. The fiscal year is January 1 through December 31, 2022. The budget was amended for the final time in November 2022. A budgetary comparison statement has been provided as required supplementary information to demonstrate compliance with this budget.

Budgeted revenues were amended during the fiscal year as new information became available. Actual revenues were \$18,376 lower than the final budgeted amount. The most significant negative variance between the final budget and actual revenue was \$20,392 less received in property taxes than expected.

While the budget for expenditures was amended during the fiscal year, the Library's total final budgeted expenditures was \$229,334 more than the total original budgeted expenditures. Actual expenditures were \$84,234 less than the final amended budget. The most significant variances between the final budgeted expenditures and actual expenditures were salaries as actual expenditures being \$28,889 more than the final budgeted amount. Other significant variances between the final budgeted expenditures and actual expenditures were library books and materials and automation which were \$28,411 and \$24,091, respectively, less than the final budgeted amount. These actual expenditures were less than final budgeted amounts because of conservative estimates at the time of budgeting. Salary expenditures were higher because during the creation of the amended budget the Library failed to account for accrued vacation time as a factor in salary expenses. Material ordering was slowed at the end of the year due to a supplier's ordering system going down for several weeks in November, which accounted for the lower spending in library materials.

The Library continues to monitor expenditures closely. We are also working on implementing initiatives identified in our strategic plan, which includes some capital expenditures for facility improvements.

**ORION TOWNSHIP PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Capital Assets

At the end of the fiscal year, the Library had \$1,471,802 invested in land, building and additions, equipment, furniture, and collections (net of accumulated depreciation). The Library added \$583,235 in current year additions in a broad range of assets including: building and improvements, equipment, furniture, and fixtures, and library books and materials. Note 3 to the financial statements provides additional information regarding capital assets.

Long-term Obligations

At the end of the 2022 fiscal year, the Library's long-term obligations included a lease payable and compensated absences (accrued vacation). Lease payable ended the fiscal year at \$38,965 after being added in accordance with GASB No. 87. Compensated absences ended the fiscal year at \$71,653, an increase of \$6,674 during the fiscal year. Note 4 to the financial statements provides additional information regarding long-term obligations.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, and library users with a general overview of the Library's finances and demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Library Director's office at:

Orion Township Public Library
825 Joslyn Road
Lake Orion, MI 48362

BASIC FINANCIAL STATEMENTS

ORION TOWNSHIP PUBLIC LIBRARY
GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION
DECEMBER 31, 2022

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Current assets			
Cash and cash equivalents	\$ 946,502	\$ -	\$ 946,502
Investments	2,824,295	(267,698)	2,556,597
Accounts receivable	15,473	-	15,473
Due from other governmental units	856	-	856
Prepays	117,994	-	117,994
Total current assets	<u>3,905,120</u>	<u>(267,698)</u>	<u>3,637,422</u>
Noncurrent assets			
Investments	-	267,698	267,698
Capital assets not being depreciated	-	225,426	225,426
Capital assets, net of accumulated depreciation	-	1,246,376	1,246,376
Net other post-employment benefits asset	-	333,943	333,943
Total noncurrent assets	<u>-</u>	<u>2,073,443</u>	<u>2,073,443</u>
TOTAL ASSETS	<u>3,905,120</u>	<u>1,805,745</u>	<u>5,710,865</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to net other post-employment benefits asset	-	18,703	18,703
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,905,120</u>	<u>1,824,448</u>	<u>5,729,568</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 32,816	-	32,816
Accrued wages	54,766	-	54,766
Other accrued liabilities	6,878	-	6,878
Compensated absences	-	71,653	71,653
Current portion of long-term debt	-	7,303	7,303
Total current liabilities	94,460	78,956	173,416
Noncurrent liabilities			
Long-term debt	-	31,662	31,662
TOTAL LIABILITIES	<u>94,460</u>	<u>110,618</u>	<u>205,078</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes held for subsequent period	251,997	-	251,997
FUND BALANCE			
Nonspendable - prepaids	117,994	(117,994)	-
Restricted - Ingram - preservation of Lake Orion history	65,848	(65,848)	-
Assigned for future building needs	660,789	(660,789)	-
Unassigned	2,714,032	(2,714,032)	-
TOTAL FUND BALANCE	<u>3,558,663</u>	<u>(3,558,663)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,905,120</u>	<u>-</u>	<u>-</u>
NET POSITION			
Investment in capital assets		1,471,802	1,471,802
Restricted - Ingram - preservation of Lake Orion history		65,848	65,848
Restricted - Other post-employment benefits		352,646	352,646
Unrestricted		3,382,197	3,382,197
TOTAL NET POSITION		<u>\$ 5,272,493</u>	<u>\$ 5,272,493</u>

See accompanying notes to financial statements.

ORION TOWNSHIP PUBLIC LIBRARY
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	General Fund	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES			
Current			
Recreation and culture			
Salaries	\$ 1,389,889	\$ 6,674	\$ 1,396,563
Payroll taxes, employee benefits, and employee pension contributions	356,148	5,058	361,206
Supplies	57,328	-	57,328
Automation	201,909	-	201,909
Library books and materials	219,589	(167,960)	51,629
Promotion, publishing, and printing	18,926	-	18,926
Telephone	2,770	-	2,770
Utilities	51,585	-	51,585
Repairs and maintenance	42,500	-	42,500
Insurance and workers' compensation	44,356	-	44,356
Transportation	3,553	-	3,553
Education, training, and dues	17,809	-	17,809
Professional and contractual services	51,683	-	51,683
Donation expenditures/expenses	24,050	-	24,050
Grant expenditures/expenses	2,940	-	2,940
Miscellaneous expenditures/expenses	1,710	-	1,710
Depreciation/amortization	-	364,325	364,325
Capital improvements	415,275	(415,275)	-
Debt service	8,569	(8,569)	-
	<u>2,910,589</u>	<u>(215,747)</u>	<u>2,694,842</u>
TOTAL EXPENDITURES/EXPENSES			
PROGRAM REVENUES			
Grant income	5,980	-	5,980
Donations	49,566	-	49,566
Penal fines	57,090	-	57,090
Library fines	7,417	-	7,417
Copier service	7,430	-	7,430
Lost or damaged income	3,854	-	3,854
	<u>131,337</u>	<u>-</u>	<u>131,337</u>
TOTAL PROGRAM REVENUES			
	<u>(2,779,252)</u>	<u>215,747</u>	<u>(2,563,505)</u>
NET PROGRAM EXPENSE			
GENERAL REVENUES			
Property taxes	2,632,997	-	2,632,997
State aid	37,550	-	37,550
Local community stabilization	13,480	-	13,480
Interest income	19,356	-	19,356
Realized and unrealized (loss) on investments	(30,936)	-	(30,936)
Miscellaneous income	6,126	-	6,126
	<u>2,678,573</u>	<u>-</u>	<u>2,678,573</u>
TOTAL GENERAL REVENUES			
	(100,679)	100,679	-
NET CHANGE IN FUND BALANCE			
	-	115,068	115,068
CHANGE IN NET POSITION			
Fund balance/net position			
Beginning of the year	<u>3,659,342</u>	<u>1,498,083</u>	<u>5,157,425</u>
End of the year	<u>\$ 3,558,663</u>	<u>\$ 1,713,830</u>	<u>\$ 5,272,493</u>

See accompanying notes to financial statements.

**ORION TOWNSHIP PUBLIC LIBRARY
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2022**

	<u>Component Unit</u>
	<u>Retiree Health Care Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 5,747
Investments	338,837
TOTAL ASSETS	344,584
LIABILITIES	
Due to library	1,993
NET POSITION	
Restricted for post-employment medical benefits	\$ 342,591

See accompanying notes to financial statements.

**ORION TOWNSHIP PUBLIC LIBRARY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2022**

	Component Unit
	Retiree Health Care Trust Fund
ADDITIONS	
Contributions - employer	\$ 2,930
Investment earnings	424
TOTAL ADDITIONS	3,354
DEDUCTIONS	
Benefits	7,151
CHANGE IN NET POSITION	(3,797)
Net position, beginning of year	346,388
Net position, end of year	\$ 342,591

See accompanying notes to financial statements.

**ORION TOWNSHIP PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

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

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

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

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements are exclusive presentations of the financial condition and results of operations of the Orion Township Public Library. The Library is not considered a component unit of any other governmental unit.

Fiduciary Component Unit

The Retiree Health Care Trust Fund is a component unit fiduciary fund and was established to account for the assets set aside to fund the other post-employment benefits plan of the Library. The trust is used to fund the cost of retiree health care benefits for eligible Plan participants. The Trust was established with the Library's Board of Trustees serving as the trustees. The assets of the Trust are for the exclusive benefit of the participants and their beneficiaries, and the assets shall not be diverted to any other purpose prior to the satisfaction of all liabilities. The assets are protected from any of the Library's creditors. The Board of Trustees has the ability to exercise oversight responsibility, specifically in the area of designation of management.

Basis of Presentation and Measurement Focus

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, adjustments are reflected on the face of the financial statements. Those adjustments are explained in detail in Note 10.

The statement of activities presents the direct functional expenses of the Library and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function.

**ORION TOWNSHIP PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

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

Basis of Presentation and Measurement Focus (continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)

Revenues that are not required to be presented as program revenues are general revenues. This includes interest and all local government appropriations and shows how governmental functions are either self-financing or supported by the general revenues of the Library.

FUND FINANCIAL STATEMENTS

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

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

The Library also reports a fiduciary fund to account for assets held by the Library as an agent for other governments, private organizations, or individuals. The Library's fiduciary fund is the Retiree Health Care Trust Fund. The Trust is used to fund the cost of retiree health care benefits for eligible Plan participants.

Component unit fiduciary funds are used to account for the assets held in a trustee capacity. The Retiree Health Care Trust Fund accounts held to fund the cost of retiree health care benefits for eligible Plan participants.

Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned, and expenses are recorded when incurred, regardless of the timing of related cash flows. Revenues for grants and contributions are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the Library before it has legal claim to them, such as when program fees are received but not yet earned.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include state and federal grants and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

**ORION TOWNSHIP PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

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

Budgets and Budgetary Accounting

The annual budget of the Library is prepared by Library management and approved by the Board of Trustees at the total expenditure level. Any revisions to the original budget are approved by the Board before the end of the year.

The Library employs the following procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to the September Board meeting, the Library Director submits to the Finance Committee a proposed operating budget for the fiscal year commencing the following January 1. In August, the Finance Committee submits the proposed operating budget to the Library Board. The budget is legally adopted by a Library Board Resolution by the first Monday in October in accordance with P.A. 164 of 1877, as amended. The operating budget includes proposed expenditures and the means of financing them.
- b. A public hearing is conducted at the Library's September Board meeting to obtain taxpayer comments regarding millage rate and budget.
- c. Prior to the first Monday in October, the budget is legally adopted by a Library Board Resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires the budget to be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the Act are disclosed as unfavorable variances on the General Fund budgetary comparison schedule.
- d. The Director is authorized to transfer budgeted amounts between line-items within an activity. However, the Library Board must approve any revisions that alter the total expenditures for any activity.
- e. The budget as presented has been amended. Supplemental appropriations were made during the year with the last one approved prior to December 31.

The budget for the year ending December 31, 2022, was approved by the Board of Trustees at the September 17, 2021 meeting.

Cash and Cash Equivalents

Cash and cash equivalents consist of the Library's checking, savings, and money market accounts as well as pooled investment funds available for withdrawal at any time. Cash equivalents are recorded at cost, which approximates fair value.

Investments

Investments consist of certificates of deposit and U.S. Treasury Bills with maturities of greater than 90 days. Mutual funds and certificates of deposit are recorded at cost, which approximates fair value.

**ORION TOWNSHIP PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

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

Investments (continued)

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 State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the MI Compiled Laws.
- 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.

Accounts Receivable

Accounts receivable are stated at the outstanding principal balance adjusted for any charge-offs. Management closely monitors outstanding balances and writes off receivables when the receivable is deemed uncollectible. Management believes any realization of losses on the outstanding balance at December 31, 2022, would be immaterial; accordingly, no allowance is utilized.

Property Taxes

The portion of property taxes allocated to the Library from Orion Township is recorded as revenue in these basic financial statements in the subsequent year in which they are levied. Accordingly, the Library has included in revenue for the year ended December 31, 2022, property taxes levied during December of 2021. The millage rate levied for 2021 was 1.3299. The total taxable value for the 2021 levy for the property within Orion Township was \$1,982,317,270.

Tax Abatements

The Library's tax revenues have been reduced by tax abatements. Management has determined these amounts to be immaterial to the financial statements.

**ORION TOWNSHIP PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

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

Prepays

Prepaid expenditures in the governmental funds and prepaid expenses in the government-wide financial statements, such as insurance premiums, which are expected to be written off within the next fiscal year, are included in net current assets. Reported prepaid expenditures are equally offset by non-spendable fund balance which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an initial individual cost of \$3,500 or more and an estimated useful life of more than one year. Capital assets are not recorded in governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. Purchased assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition cost on the date received. Donated works of art are considered to be inexhaustible by the Library and therefore, are not depreciated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Right to use assets of the Library are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	5 - 31.5 years
Building and improvements	31.5 years
Equipment, furniture, and fixtures	5 - 10 years
Equipment, furniture, and fixtures - right to use	6 years
Library books and materials	5 years

Leases

The Library is a lessee for noncancelable leases of equipment. The Library recognizes a lease liability and a right-to-use the lease asset in the government-wide financial statements. The Library recognizes lease liabilities that are considered material and have an initial, individual value that the Library would recognize as a capital asset.

At the commencement of a lease, the Library initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

**ORION TOWNSHIP PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

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

Leases (continued)

Key estimates and judgements related to leases include how the Library determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- a. The Library uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Library generally uses its estimated incremental borrowing rate as the discount rate for leases.
- b. The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Library is reasonably certain to exercise.

The Library monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Library has several items that qualify for reporting in these categories and are reported in the government-wide financial statement of net position and the governmental funds balance sheet.

The Library reports deferred outflows of resources which correspond to the Library's net OPEB and are related to differences between expected and actual experience and differences between projected and actual OPEB plan investment earnings. These amounts are deferred and recognized as an outflow of resources in the period to which they apply.

The Library also reports deferred inflows of resources related to the deferral of property taxes that have been levied on December 1 to support the following year's budget and will be recognized in the following year (in both the government-wide and fund financial statements). These amounts are reported on the governmental funds balance sheet and full accrual statement of net position and recognized as an inflow of resources in the period in which they amounts become available.

Compensated Absences

It is the Library's policy to permit employees to accumulate a limited amount of earned but unused vacation, which will be paid to the employees upon separation from the Library. Employees are paid their accumulated vacation pay upon termination of employment for any reason.

**ORION TOWNSHIP PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

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

Net Other Post-Employment Benefits Asset

The Library offers other post-employment benefits (OPEB) for retiree healthcare benefits to its employees. The Library records a net OPEB asset for the difference between the total OPEB liability asset by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. 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 Classifications

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 classifications of fund balance:

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

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

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

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

Unassigned - all other resources; the remaining fund balance after 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 Board of Trustees. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a full vote and approval by the Board of Trustees.

For assigned fund balance, the Board of Trustees is authorized to assign amounts to a specific purpose through expressed intent or by an official or body to which the Board of Trustees delegates authority.

**ORION TOWNSHIP PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

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

Fund Balance Classification Policies and Procedures (continued)

The Library has adopted a minimum fund balance policy in which the General Fund maintains an unassigned fund balance equal to no less than nine months of annual operating expenditures. Unassigned Fund Balance may be accessed in the event of unexpected expenditures up to the minimum established level upon approval of a budget amendment by the Board of Trustees. In the event that the balance drops below the established minimum level, the Board of Trustees will develop a plan to replenish the fund balance to the established minimum level within two years.

Operating budget surpluses added to the fund balance shall be assigned to forecasted long-term capital expenditures. In the event that all long-term forecasted expenditures are fully funded, and the unassigned fund balance exceeds 100% of the annual operating budget, the Board of Trustees will develop a plan to spend down the excess unassigned balance within the next budget year.

For the classification of fund balances, the Library considers restricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also, for the classification of fund balances, the Library considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Accordingly, actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The deposits and investments referred to below have been reported in either the cash and/or investments captions on the financial statements, based upon criteria disclosed in Note 1. The following summarizes the categories of these amounts as of December 31, 2022.

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 946,502	\$ 5,747	\$ 952,249
Investments - current	2,556,597	338,837	2,895,434
Investments - noncurrent	267,698	-	267,698
	\$ 3,770,797	\$ 344,584	\$ 4,115,381

**ORION TOWNSHIP PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

As of December 31, 2022, the Library had deposits and investments summarized by the following categorization:

Deposits	
Checking and savings	\$ 1,039,565
Certificates of deposit	998,303
Petty cash	1,297
Investments	2,076,216
	\$ 4,115,381

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 December 31, 2022, \$461,152 of the Library's bank balance of \$2,159,553 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments

For an investment, this 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 or collateral securities that are in the possession of an outside party.

The Library will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Library will do business.

Interest Rate Risk

In accordance with its investment policy, 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; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Library's cash requirements. The average maturities of investments are noted below.

Investment Type	Fair Value	Weight Average Maturity (Years)
U.S. Treasury bills	\$ 2,062,128	0.2221

One day maturity equals 0.0027, one year equals 1.00.

**ORION TOWNSHIP PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The Library also has an investment policy, which further limits its investment choices as follows:

Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States. Total investment shall not exceed 25% of the total portfolio of Library investments.

Commercial paper rated at the time of purchase at the highest classification established by not less than two standard rating services and that matures not more than 270 days after the date of purchase. Total investment shall not exceed 25% of the total portfolio of Library investments.

Mutual funds, as described by Section I Act 20 P.A. 1943, as amended. The authorization includes securities whose intention is to maintain a net asset value of \$1.00 per share or securities whose net asset value per share may fluctuate on a periodic basis. Total investment shall not exceed 15% of the total portfolio of Library investments.

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 so that the impact of potential losses from any one type of security or issuer will be minimized.

Fair Value Measurements

The Library is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Price determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

**ORION TOWNSHIP PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurements (continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Investments that are measured at fair value using net asset per value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. The Library had the following fair value measurements as of December 31, 2022:

Investment Type	Fair Value Measurements			Balance at Dec. 31, 2022
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
U.S. Treasury bills	\$ -	\$ 2,062,128	\$ -	\$ 2,062,128
Investments at net asset value (NAV) Comerica Short-Term Funds				14,088
Total investments				\$ 2,076,216

Foreign Currency Risk

The Library is not authorized to invest in investments which have this type of risk.

Investments in Entities that Calculate Net Asset Value Per Share

The Library holds shares or interests in an investment pool where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient. The short-term investments are held in the Comerica Short Term Funds (STIF) which is a conservative prime market fund structured to maintain a stable \$1 net asset value (NAV).

At the year ended December 31, 2022, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency, in Eligible	Redemption Notice Period
Comerica Short-Term Funds	\$ 14,088	\$ -	No restrictions	None

**ORION TOWNSHIP PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022, was as follows:

	Restated Balance Jan. 1, 2022	Additions/ Reclassifications	Disposals/ Reclassifications	Balance Dec. 31, 2022
Capital assets not being depreciated				
Land	\$ 46,036	\$ -	\$ -	\$ 46,036
Construction in progress	6,700	294,224	(300,924)	-
Works of art	179,390	-	-	179,390
Total capital assets not being depreciated	232,126	294,224	(300,924)	225,426
Capital assets being depreciated/amortized				
Land improvements	90,647	-	-	90,647
Building and improvements	3,347,842	300,924	-	3,648,766
Equipment, furniture, and fixtures	2,645,742	121,051	(56,505)	2,710,288
Equipment, furniture, and fixtures - right to use	47,534	-	-	47,534
Library books and materials	896,020	167,960	(194,619)	869,361
Total capital assets being depreciated/amortized	7,027,785	589,935	(251,124)	7,366,596
Less accumulated depreciation/amortization for:				
Land improvements	(82,397)	(4,103)	-	(86,500)
Building and improvements	(3,129,055)	(54,279)	-	(3,183,334)
Equipment, furniture, and fixtures	(2,420,649)	(114,523)	52,211	(2,482,961)
Equipment, furniture, and fixtures - right to use	-	(7,922)	-	(7,922)
Library books and materials	(374,918)	(179,204)	194,619	(359,503)
Total accumulated depreciation/amortization	(6,007,019)	(360,031)	246,830	(6,120,220)
Net capital assets being depreciated/amortized	1,020,766	229,904	(4,294)	1,246,376
Capital assets, net	\$ 1,252,892	\$ 524,128	\$ (305,218)	\$ 1,471,802

The current depreciation/amortization expense of the governmental activities was \$364,325. The current period depreciation/amortization expense of \$360,031 has been adjusted by \$4,294 to reflect the loss on disposal of capital assets during the period, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation/amortization expense.

**ORION TOWNSHIP PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - LONG-TERM OBLIGATIONS

The following is a summary of changes in the long-term obligations (including the current portion) of the Library for the year ended December 31, 2022:

	Restated Balance Jan. 1, 2022	Additions	Deletions	Balance Dec. 31, 2022	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Notes from Direct Borrowings and Direct Placements					
Lease payable	\$ 47,534	\$ -	\$ (8,569)	\$ 38,965	\$ 7,303
Compensated absences	64,979	85,236	(78,562)	71,653	71,653
TOTAL GOVERNMENTAL ACTIVITIES	\$ 112,513	\$ 85,236	\$ (87,131)	\$ 110,618	\$ 78,956

Significant details regarding outstanding long-term obligations (including current portion) are presented below:

\$47,534 Lease payable dated July 20, 2022, were initially for a period of six years, expiring November 30, 2027. Annual payments of \$8,569, including imputed interest of 3.25%. The lease agreement was for the right to use a remote booklocker. The agreements contain provisions that in an event of default the Library will pay in full, be charged interest at 1.5% per month, and/or have the service suspended or discontinued.

\$ 38,965

The annual requirement to pay the debt principal and interest outstanding for the following bonds and loans is as follows:

Year Ending Dec. 31,	Direct Borrowings and Direct Placements		
	Principal	Interest	Total
2023	\$ 7,303	\$ 1,266	\$ 8,569
2024	7,540	1,029	8,569
2025	7,785	784	8,569
2026	8,038	531	8,569
2027	8,299	270	8,569
	<u>\$ 38,965</u>	<u>\$ 3,880</u>	<u>\$ 42,845</u>

NOTE 5 - DEFINED CONTRIBUTION PENSION PLAN

The Library sponsors and administers a defined contribution plan, the Orion Township Public Library Group Pension Plan (the Plan). The Plan may be amended from time-to-time by written amendment executed by the insurer of the Plan. The Plan covers full-time employees who are at least 18 years of age and have six months of service with the Library with normal retirement age set at 55 years of age. The Library's required contributions are in varying amounts from 8% to 11% of compensation per participant depending on length of service. Participants may also make voluntary contributions of up to 10% of their monthly compensation. Library contributions to the Plan amounted to \$85,544 in 2022. The Library did not have an outstanding liability for contributions at December 31, 2022.

**ORION TOWNSHIP PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The Library has a Retiree Health Care Plan and Trust (the "Plan") under Internal Revenue Code Section 501(c)(9) as a voluntary employee beneficiary association to provide medical benefits to eligible retirees, their spouses, and their dependents. The Plan incorporates the terms of the medical benefits program as included in the health insurance contracts. Comerica Bank, a Michigan banking corporation, is the Trustee of the assets of the Plan.

Summary of Plan Participants

At the December 31, 2022 valuation date, the following employees were covered by the benefit terms:

Retirees and beneficiaries	3
----------------------------	---

Effective May 17, 2018, the Plan was amended to close the Plan to new hires. Employees separating from service on or after May 17, 2018, are not eligible to participate in the Plan.

Benefits Provided

Benefits are provided through traditional indemnity insurance, a health maintenance organization, or a preferred provider organization. In order to be eligible for the retiree health insurance benefits all of the following must be met:

- Employee of the Library and has separated from service with the Library after July 18, 2006 and prior to May 17, 2018
- Has attained the age of 55 as of his or her separation date
- At least 10 years of full-time continuous employment at the Library prior to retirement
- Receipt of a retirement benefit from the Orion Township Public Group Pension Plan
- Participation in the Library's health insurance program at the time of retirement
- Election, prior to entry date, to be covered under the Plan
- Agreement to enroll in Medicare immediately upon becoming eligible for Medicare benefits

The Plan does not issue a separate stand-alone financial statement.

Investment Policy

The Library may invest and reinvest the assets of the Plan subject to the terms, conditions, limitations, and restrictions imposed by Michigan law and, to the extent applicable to a government plan, the Internal Revenue Code of 1986, as amended, and the Employee Retirement Security Act of 1974, as amended. It is the policy of the Plan to invest funds in a manner which will ensure the preservation of principal while providing the highest investment return with maximum security.

Summary of Significant Accounting Policies

For purposes of measuring the net other postemployment benefits (OPEB) liability/(asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Plan and additions to/deductions from the Library's fiduciary net position have been determined on the same basis as they are reported for the Library. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**ORION TOWNSHIP PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

The total OPEB liability in the December 31, 2022 actuarial valuation and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	N/A
Salary increases:	N/A; all participants are retired
Investment rate of return:	1.54% (net of investment expense)
Healthcare cost trend rates:	Dental - 3.00% per year
20-year Aa municipal bond rate:	4.31%
Mortality:	Public General 2010 Healthy Retiree, headcount weighted with MP-2021 improvement scale

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranged of expected future real rates of return (expected returns, net of retirement plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the retirement plan’s target asset allocation as of December 31, 2022, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Comerica money market	4.00%	1.15%
Comerica certificates of deposit	93.00%	1.61%
Comerica checking account	3.00%	0.00%

The Employer, as Plan Sponsor and Investment Fiduciary, has chosen for the Plan asset mix intended to meet or exceed a long-term rate of return, plus inflation, of 1.54%.

Change in Assumptions

The actuarial assumptions were changed during the year as follows:

Change in the discount rate from 2.25% to 4.31%

**ORION TOWNSHIP PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Change in Net OPEB Liability (Asset)

The change in the net OPEB liability (asset) for the year ended December 31, 2022, is as follows:

	Calculating the Net OPEB Liability (Asset)		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balance at December 31, 2020	\$ 10,582	\$ 346,388	\$ (335,806)
Changes during the year			
Interest	158	-	158
Experience (gains)/losses	6,438	-	6,438
Change of assumptions	(1,379)	-	(1,379)
Contributions to OPEB trust	-	161	(161)
Contributions - employer	-	2,769	(2,769)
Net investment income	-	424	(424)
Benefit payments	(7,151)	(7,151)	-
Total changes	(1,934)	(3,797)	1,863
Balance at December 31, 2021	\$ 8,648	\$ 342,591	\$ (333,943)

Discount Rate

The discount rate used to measure the total OPEB liability was 4.31%. With no further employer contributions, the retirement plan's fiduciary net position is projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date", not applicable for this plan), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate, with the current bond rate used as a minimum, is used to determine the Total OPEB Liability.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability (asset) of the employer, calculated using trend and discount rates 1% higher and lower than base assumptions.

	1% Decrease	Current Rate	1% Increase
Net OPEB liability (asset)	\$ (333,318)	\$ (333,943)	\$ (334,496)

**ORION TOWNSHIP PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Sensitivity of the Net OPEB Liability in the Healthcare Cost Trend Rates

The following presents the net OPEB liability (asset) of the employer, calculated using trend and discount rates 1% higher and lower than base assumptions.

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability (asset)	\$ (334,586)	\$ (333,943)	\$ (333,226)

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

For the year ended December 31, 2022, the Library recognized OPEB expense of \$7,988. At December 31, 2022, the Library reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Experience (gains)/losses	\$ 3,374	\$ -
Investment earnings (gains)/losses	15,329	-
Total	\$ 18,703	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future years as follows:

<u>Year Ended December 31,</u>	<u>Amount Recognized</u>
2023	\$ 6,967
2024	6,079
2025	4,145
2026	1,512
	\$ 18,703

**ORION TOWNSHIP PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - RISK MANAGEMENT

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

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

NOTE 8 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2022, the Library implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which was issued in June 2017. The objective of this Statement is to 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 the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The restatement of the beginning of year had no impact on net position. The change to capital assets and long-term debt is as follows:

	Governmental Activities	
	Capital Assets	Long-term Debt
Balances as of January 1, 2022, as previously stated	\$ 1,205,358	\$ -
Adoption of GASB Statement No. 87	47,534	47,534
Balances as of January 1, 2022, as restated	\$ 1,252,892	\$ 47,534

**ORION TOWNSHIP PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In May 2020, GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This 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 2023 fiscal year.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior period, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Library is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Library is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025 fiscal year.

NOTE 10 - RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

**ORION TOWNSHIP PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)

The following are reconciliations of fund balance to net position and the net change in fund balance to the change in net position:

Total Fund Balance - Governmental Fund	\$ 3,558,663
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Amounts reported in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	\$ 7,592,022		
Accumulated depreciation/amortization is	<u>(6,120,220)</u>		
Capital assets, net		1,471,802	

Governmental funds report actual net other post employment benefits expenditures for the fiscal year, whereas the governmental activities will recognize the net other post-employment benefits asset as of the measurement date. These amounts consist of:

Deferred outflows of resources related to net other-post employment benefits asset	18,703
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Long-term assets are not to represent an economic benefit in the current period and therefore are not reported in the governmental fund balance sheet. Long-term assets at year-end consist of:

Net other post-employment benefits asset	333,943
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund balance sheet. Long-term liabilities at year-end consist of:

Lease payable	(38,965)		
Compensated absences	<u>(71,653)</u>		
		<u>(110,618)</u>	

Net Position of Governmental Activities	<u><u>\$ 5,272,493</u></u>
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**ORION TOWNSHIP PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)

Net Change in Fund Balance - Governmental Fund \$ (100,679)

Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation/amortization expense. In the current period, these amounts are:

Capital outlay	\$	583,235	
Depreciation/amortization expense		<u>(364,325)</u>	
Excess of capital outlay over depreciation/amortization expense			218,910

Transactions related to long-term obligations are reported as expenditures in governmental funds, but the principal repayments reduce long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Lease principal payments		8,569
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Some items reported in the statement of activities do not required the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Decrease) in other post-employment benefits asset		(1,863)	
Change in deferred outflows of resources related to net other post-employment benefits asset		(3,195)	
(Increase) in compensated absences		<u>(6,674)</u>	
			<u>(11,732)</u>

Change in Net Position of Governmental Activities \$ 115,068

REQUIRED SUPPLEMENTARY INFORMATION

**ORION TOWNSHIP PUBLIC LIBRARY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2022**

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 2,600,000	\$ 2,653,389	\$ 2,632,997	\$ (20,392)
State aid	28,000	37,919	37,550	(369)
Local community stabilization	-	-	13,480	13,480
Grant revenue	-	16,644	5,980	(10,664)
Penal fines	60,000	57,090	57,090	-
Library fines	15,000	6,420	7,417	997
Copier service	4,000	5,696	7,430	1,734
Interest revenue	15,000	15,000	19,356	4,356
Realized and unrealized (loss) on investments	-	(20,000)	(30,936)	(10,936)
Donations revenue	25,000	46,128	49,566	3,438
Lost or damaged revenue	-	-	3,854	3,854
Miscellaneous revenue	10,000	10,000	6,126	(3,874)
	2,757,000	2,828,286	2,809,910	(18,376)
EXPENDITURES				
Current				
Recreation and culture				
Salaries	1,510,000	1,360,000	1,389,889	(29,889)
Payroll taxes, employee benefits, and employee pension contributions	413,700	373,700	356,148	17,552
Supplies	71,000	60,000	57,328	2,672
Automation	171,000	226,000	201,909	24,091
Library books and materials	248,000	248,000	219,589	28,411
Promotion, publishing, and printing	22,000	22,000	18,926	3,074
Telephone	3,000	3,000	2,770	230
Utilities	52,000	55,500	51,585	3,915
Repairs and maintenance	46,500	50,000	42,500	7,500
Insurance and workers' compensation	50,000	46,000	44,356	1,644
Transportation	7,000	3,500	3,553	(53)
Education, training, and dues	30,000	20,000	17,809	2,191
Professional and contractual services	42,000	57,000	51,683	5,317
Donation expenditures	25,000	25,000	24,050	950
Grant expenditures	-	16,644	2,940	13,704
Miscellaneous expenditures	5,000	5,000	1,710	3,290
Capital improvements	60,800	415,000	415,275	(275)
Debt service	-	-	8,569	(8,569)
	2,757,000	2,986,344	2,910,589	84,324
NET CHANGE IN FUND BALANCE	-	(158,058)	(100,679)	65,948
Fund balance, beginning of year	3,659,342	3,659,342	3,659,342	-
Fund balance, end of year	\$ 3,659,342	\$ 3,501,284	\$ 3,558,663	\$ 65,948

**ORION TOWNSHIP PUBLIC LIBRARY
POSTEMPLOYMENT MEDICAL BENEFITS PLAN
SCHEDULE OF CHANGES IN LIBRARY'S NET OPEB LIABILITY (ASSET) AND RELATED RATIOS
LAST SIX MEASUREMENT DATES (ULTIMATELY TEN MEASUREMENT DATES WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 12/31 OF THE PREVIOUS FISCAL YEAR)**

	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ -	\$ -	\$ -	\$ -	\$ 41,298	\$ 39,959
Interest	158	324	331	5,860	27,695	25,622
Changes of benefit terms	-	-	-	-	(670,461)	-
Difference between expected and actual experience	6,438	3,304	6,105	(163,782)	1,415	9,056
Changes of assumptions	(1,379)	147	629	(645)	-	-
Benefit payments including employee refunds	<u>(7,151)</u>	<u>(4,638)</u>	<u>(6,788)</u>	<u>(10,419)</u>	<u>(10,461)</u>	<u>(17,682)</u>
Net Change in Total OPEB Liability	(1,934)	(863)	277	(168,986)	(610,514)	56,955
Total OPEB Liability, beginning	<u>10,582</u>	<u>11,445</u>	<u>11,168</u>	<u>180,154</u>	<u>790,668</u>	<u>733,713</u>
Total OPEB Liability, ending	<u><u>\$ 8,648</u></u>	<u><u>\$ 10,582</u></u>	<u><u>\$ 11,445</u></u>	<u><u>\$ 11,168</u></u>	<u><u>\$ 180,154</u></u>	<u><u>\$ 790,668</u></u>
Plan Fiduciary Net Position						
Contributions to OPEB trust	\$ 161	\$ -	\$ -	\$ -	\$ -	\$ 5,521
Contributions/benefit from general operating funds	2,769	-	-	-	-	3,620
Net investment income	424	1,263	5,120	7,265	6,291	3,087
Benefit payments, including employee refunds	(7,151)	(4,638)	(6,674)	(10,419)	(10,461)	(17,682)
Administrative expense	-	-	-	-	(2,602)	-
Net Change in Plan Fiduciary Net Position	(3,797)	(3,375)	(1,554)	(3,154)	(6,772)	(5,454)
Plan Fiduciary Net Position, beginning	<u>346,388</u>	<u>349,763</u>	<u>351,317</u>	<u>354,471</u>	<u>361,243</u>	<u>366,697</u>
Plan Fiduciary Net Position, ending	<u><u>\$ 342,591</u></u>	<u><u>\$ 346,388</u></u>	<u><u>\$ 349,763</u></u>	<u><u>\$ 351,317</u></u>	<u><u>\$ 354,471</u></u>	<u><u>\$ 361,243</u></u>
Net OPEB Liability (Asset)	<u><u>\$ (333,943)</u></u>	<u><u>\$ (335,806)</u></u>	<u><u>\$ (338,318)</u></u>	<u><u>\$ (340,149)</u></u>	<u><u>\$ (174,317)</u></u>	<u><u>\$ 429,425</u></u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	3962%	3273%	3056%	3146%	197%	46%
Covered payroll	N/A	N/A	N/A	N/A	N/A	\$ 779,310
Employer's Net OPEB Liability (Asset) as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	55%

**ORION TOWNSHIP PUBLIC LIBRARY
 POSTEMPLOYMENT MEDICAL BENEFITS PLAN
 SCHEDULE OF LIBRARY'S CONTRIBUTIONS
 LAST SIX FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)
 (AMOUNTS WERE DETERMINED AS OF 12/31 OF THE PREVIOUS FISCAL YEAR)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contributions	\$ -	\$ -	\$ -	\$ (20,802)	\$ 85,733	\$ 5,521
Contributions in relation to the actuarially determined contribution	<u>2,930</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,521</u>
Contribution deficiency (excess)	<u>\$ (2,930)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (20,802)</u>	<u>\$ 85,733</u>	<u>\$ -</u>
Covered payroll	N/A	N/A	N/A	N/A	N/A	\$ 779,310
Contributions as a percentage of covered payroll	0%	0%	0%	0%	0%	0.71%

**ORION TOWNSHIP PUBLIC LIBRARY
 POSTEMPLOYMENT MEDICAL BENEFITS PLAN
 SCHEDULE OF INVESTMENT RETURNS
 LAST SIX FISCAL YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	0.55%	0.47%	0.24%	0.89%	1.87%	1.49%

**ORION TOWNSHIP PUBLIC LIBRARY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

NOTE 1 - POSTEMPLOYMENT MEDICAL BENEFITS PLAN

Actuarial valuation information relative to the determination of contributions:

Valuation date:	December 31, 2021
Measurement date:	December 31, 2022

Methods and assumptions used to determine contributions rates:

Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of compensation
Asset valuation method:	Market value
Remaining amortization period:	0 years
Inflation:	N/A
Salary increases:	N/A, all participants are retired
Investment rate of return:	1.54%
Utilization:	N/A, all participants are retired
20-year Aa municipal bond rate:	4.31% (S&P Municipal Bond 20-Year High Grade Rate Index)
Health care trend rate(s):	Dental - 3% per year
Mortality:	Public General 2010 Healthy Retiree, Headcount weighted with MP-2021 improvement scale

Changes of benefit terms: There were no changes in benefit term during the plan year.

Changes in assumptions: Change in the discount rate from 2.25% to 4.31%