

MID-MICHIGAN LIBRARY LEAGUE

CADILLAC, MICHIGAN

SEPTEMBER 30, 2018



Baird, Cotter & Bishop, P.C.
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CERTIFIED PUBLIC ACCOUNTANTS
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SEPTEMBER 30, 2018

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October 26, 2018

INDEPENDENT AUDITOR'S REPORT

To the Board
Mid-Michigan Library League
Cadillac, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Mid-Michigan Library League (a library cooperative), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the League's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Mid-Michigan Library League as of September 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the General Fund 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 required supplementary information, as listed in the table of contents, on pages iii-viii and 22-23 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.

BAIRD, COTTER AND BISHOP, P.C.

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MID-MICHIGAN LIBRARY LEAGUE
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2018

Mid-Michigan Library League, (“the League”), a Library Cooperative located in Wexford County, Michigan offers this narrative overview and analysis of the financial activities of the League for the fiscal year ended September 30, 2018, for the benefit of the readers of these financial statements. This management’s discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the League’s financial activity.

Financial Highlights

- ❖ The assets of the League exceeded its liabilities at the close of the most recent fiscal year by \$209,307 (*net position*). Of this amount, \$207,770 represents unrestricted net position, which may be used to meet the League’s ongoing obligations to citizens and creditors.
- ❖ At the close of the current fiscal year, the League’s governmental fund reported a fund balance of \$288,545, an increase of \$11,972 in comparison with the prior year. Approximately 78% of this amount (\$222,057) is available for spending at the League’s discretion (*unassigned fund balance*).
- ❖ The League’s total outstanding long-term debt decreased by \$12,185 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the League’s basic financial statements. The League’s basic financial statements consist of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional details to support the basic financial statements themselves.

Government-Wide Financial Statements The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the League’s finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents financial information on all of the League’s assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the League is improving or deteriorating.

The *Statement of Activities* presents information showing how the League’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods.

Both of the government-wide financial statements distinguish functions of the League that are principally supported by state sources. The governmental activities of the League include general government.

The government-wide financial statements can be found on pages 1-2 of this report.

MID-MICHIGAN LIBRARY LEAGUE
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2018

Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Mid-Michigan Library League, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the League are considered to be governmental funds.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The League adopts an annual budget for the General Fund. A budgetary comparison has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3 - 7 of this report.

Notes to Financial Statements The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 8-21 of this report.

Other Information In addition to the basic financial statements and accompanying notes, this report also presents *Required Supplementary Information* (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of Mid-Michigan Library League, assets exceeded liabilities by \$209,307 at the close of the most recent fiscal year.

MID-MICHIGAN LIBRARY LEAGUE
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2018

The following schedule summarizes the net position at fiscal year ended September 30.

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets	\$ 288,545	\$ 276,367
Non Current Assets	<u>1,537</u>	<u>2,303</u>
 TOTAL ASSETS	 <u>290,082</u>	 <u>278,670</u>
 Deferred Outflows of Resources	 <u>7,877</u>	 <u>27,106</u>
 Liabilities		
Current Liabilities	2,472	2,266
Non Current Liabilities	<u>71,952</u>	<u>84,137</u>
 TOTAL LIABILITIES	 <u>74,424</u>	 <u>86,403</u>
 Deferred Inflows of Resources	 <u>14,228</u>	 <u>0</u>
 Net Position		
Net Investment in Capital Assets	1,537	2,303
Unrestricted	<u>207,770</u>	<u>217,070</u>
 TOTAL NET POSITION	 <u>\$ 209,307</u>	 <u>\$ 219,373</u>

A portion of the League's net position (1%) reflects its net investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related outstanding debt that was used to acquire those assets. The League uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

The remaining balance of \$207,770 unrestricted, which may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the League is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

MID-MICHIGAN LIBRARY LEAGUE
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2018

Mid-Michigan Library League's overall net position decreased by \$10,066 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for the governmental activities. The following table illustrates the results of the changes in the net position for the League for the year ended September 30.

	<u>2018</u>	<u>2017</u>
Revenues		
Charges for Services	\$ 534	\$ 430
State Sources	246,691	236,931
Investment Earnings	361	302
Other	<u>23,766</u>	<u>20,298</u>
Total Revenues	271,352	257,961
Expenses		
Culture and Recreation	<u>(281,418)</u>	<u>(246,289)</u>
Change in Net Position	(10,066)	11,672
Beginning Net Position	<u>219,373</u>	<u>207,701</u>
Ending Net Position	<u><u>\$ 209,307</u></u>	<u><u>\$ 219,373</u></u>

Governmental Activities The most significant part of the revenue for all governmental activities of Mid-Michigan Library League comes from state sources. The League collected \$246,691 in state aid for the fiscal year ending September 30, 2018.

The League's governmental activities expenses are dominated by culture and recreation expenses that total \$281,418.

Financial Analysis of the Governmental Funds

As noted earlier, the League uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund The focus of the League's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the League's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the League itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the League Board.

MID-MICHIGAN LIBRARY LEAGUE
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2018

At September 30, 2018, the League's governmental fund, the General Fund, reported a fund balance of \$286,073, an increase of \$11,972 in comparison with the prior year. Approximately 78% of this amount (\$222,057) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form (\$64,016), 2) legally required to be maintained intact, 3) restricted for particular purposes, 4) committed for particular purposes, or 5) assigned for particular purposes.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the Board approve the original budget for the upcoming fiscal year prior to its starting on October 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the year on September 30.

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>FINAL</u> <u>BUDGET</u>	<u>ACTUAL</u>
Total Revenues	\$ 265,797	\$ 264,397	\$ 271,352
Total Expenditures	\$ 265,797	\$ 264,397	\$ 259,380

A review of original and final budgeted amounts yields variances due to the fact that the League was able to better estimate what their revenues and expenditures were for the year.

A review of the final budgeted and actual revenues yields minimal variances. A review of the final budgeted and actual expenditures yields variances due to the fact that the League budgeted conservatively.

Capital Assets

At September 30, 2018, the League had \$3,829 in capital assets, including equipment. Depreciation expense for the year amounted to \$766, bringing the accumulated depreciation to \$2,292 as of September 30, 2018.

Long-Term Debt

As of September 30, 2018, the League had total long-term debt outstanding of \$71,952. Of this amount, \$69,630 is the League's net pension liability and \$2,322 represents compensated absences.

MID-MICHIGAN LIBRARY LEAGUE
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2018

Factors Bearing on the League's Future

At the time that these financial statements were prepared and audited, the League was aware of the following that could significantly affect its financial health in the future:

- One of the 37 member libraries left the cooperative as of the new fiscal year, October 1, 2018. Missaukee is now a non-cooperative member. So, going forward in fiscal year 2019, the Mid-Michigan Library League has 36 member libraries. As such, the revenue generated from State Aid shall be lower.
- The State budget process dictates the per capita State Aid amounts. For the fiscal year ending September 30, 2018, the per capita amount was \$.363984 and the approved per capita amount for the fiscal year ending September 30, 2019, is \$.39689 which will help make up for lost population.
- There are no more known issues that may cause a change in the membership for the foreseeable future. The Board Finance Committee reviewed five different budget scenarios for going forward, from replacing the full-time position left vacant after the Sheehan retirement, to giving up the physical in preference for a virtual office, to keeping things "as-is" with staffing and office, and it was decided to keep overhead as low as possible in order to provide additional services for the membership. There was a very engaged group at the annual meeting on September 20, 2018, excited about the new services and higher levels of member participation in the cooperative.

Contacting the League's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the League's finances and to demonstrate the League's accountability for the money it receives. If you have questions about this report, please contact Mid-Michigan Library League, 201 N. Mitchell Street, Ste. 302, Cadillac, Michigan 49601.

MID-MICHIGAN LIBRARY LEAGUE
CADILLAC, MICHIGAN

STATEMENT OF NET POSITION

SEPTEMBER 30, 2018

ASSETS

CURRENT ASSETS

Cash	\$ 223,321
Accounts Receivable	1,208
Prepaid Expense	64,016
	<hr/>
Total Current Assets	288,545

NONCURRENT ASSETS

Capital Assets	3,829
Less: Accumulated Depreciation	(2,292)
	<hr/>
Net Capital Assets	1,537

TOTAL ASSETS

290,082

DEFERRED OUTFLOWS OF RESOURCES

Subsequent Pension Contributions	7,877
	<hr/>

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	826
Accrued Wages	1,529
Accrued Payroll Withholdings	117
	<hr/>
Total Current Liabilities	2,472

NON CURRENT LIABILITIES

Compensated Absences	2,322
Net Pension Liability	69,630
	<hr/>
Total Non Current Liabilities	71,952

TOTAL LIABILITIES

74,424

DEFERRED INFLOWS OF RESOURCES

Net Difference Between the Projected and Actual Pension Investment Earnings	14,228
	<hr/>

NET POSITION

Net Investment in Capital Assets	1,537
Unrestricted	207,770
	<hr/>
TOTAL NET POSITION	\$ <u>209,307</u>

The notes to the financial statements are an integral part of this statement.

MID-MICHIGAN LIBRARY LEAGUE
CADILLAC, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2018

<u>FUNCTIONS/PROGRAMS</u>	<u>PROGRAM REVENUES</u>				<u>GOVERNMENTAL ACTIVITIES</u>
<u>GOVERNMENTAL ACTIVITIES</u>	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>
Culture and Recreation	\$ 281,418	\$ 534	\$ 0	\$ 0	\$ (280,884)
<u>GENERAL REVENUES</u>					
State Sources					246,691
Investment Earnings					361
Other					23,766
Total General Revenues					270,818
Change in Net Position					(10,066)
<u>NET POSITION</u> - Beginning of Year					219,373
<u>NET POSITION</u> - End of Year					\$ 209,307

The notes to the financial statements are an integral part of this statement.

MID-MICHIGAN LIBRARY LEAGUE
CADILLAC, MICHIGAN

GOVERNMENTAL BALANCE SHEET - GENERAL FUND

SEPTEMBER 30, 2018

ASSETS

Cash	\$ 223,321
Accounts Receivable	1,208
Prepaid Expenditures	<u>64,016</u>
 TOTAL ASSETS	 <u><u>\$ 288,545</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 826
Accrued Wages	1,529
Accrued Payroll Withholdings	<u>117</u>
 Total Liabilities	 <u>2,472</u>

FUND BALANCE

Nonspendable, Prepaid Expenditures	64,016
Unassigned	<u>222,057</u>
 Total Fund Balance	 <u>286,073</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 288,545</u></u>

The notes to the financial statements are an integral part of this statement.

MID-MICHIGAN LIBRARY LEAGUE
CADILLAC, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2018

Total General Fund Balance	\$ 286,073
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
The cost of the capital assets is	\$ 3,829
Accumulated depreciation is	<u>(2,292)</u> 1,537
Some assets, including net pension asset, are not applicable to the current period and, therefore, are not reported in the funds.	
Net Pension Liability	(69,630)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	
Compensated Absences	(2,322)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Subsequent Pension Contributions	7,877
Net Difference Between the Projected and Actual Pension Investment Earnings	<u>(14,228)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 209,307</u></u>

The notes to the financial statements are an integral part of this statement.

MID-MICHIGAN LIBRARY LEAGUE
CADILLAC, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
State Grants			
Library State Aid			
Direct State Aid	\$ 145,003	\$ 145,003	\$ 146,069
Indirect State Aid	95,994	95,994	100,622
Charges for Services			
Workshop Fees	2,000	600	534
Interest and Rents			
Interest Earnings	300	300	361
Other Revenue			
Reimbursements from Other Governments	22,500	22,500	23,403
Sale of Capital Assets	0	0	250
Miscellaneous	0	0	113
Total Revenues	<u>265,797</u>	<u>264,397</u>	<u>271,352</u>
<u>EXPENDITURES</u>			
Culture and Recreation			
Personal Services			
Salaries and Wages	78,312	78,312	77,652
Employee Benefits	26,155	26,174	26,137
Supplies			
Office Supplies and Postage	250	250	200
General Operating Supplies	1,500	1,500	897
Books, Periodicals and Computer Software	16,450	14,230	14,171
Purchases for Member Libraries	22,500	22,500	22,145
Other Services and Charges			
Purchased Professional and Technical Services	88,928	89,745	89,396
Repair and Maintenance	500	500	162
Rental of Building	7,641	8,286	8,299
Bad Debt Expense	100	100	13
Grants to Members	5,000	5,000	4,939

The notes to the financial statements are an integral part of this statement.

MID-MICHIGAN LIBRARY LEAGUE
CADILLAC, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2018

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>FINAL</u> <u>BUDGET</u>	<u>ACTUAL</u>
Other Purchased Services			
Insurance	1,000	2,100	2,075
Communications	1,100	1,100	1,039
Utilities	1,300	1,300	770
Travel and Workshops	11,000	10,000	9,781
Dues and Memberships	1,500	1,500	1,091
Copier Lease	350	370	352
Bank Service Charges	0	0	0
Capital Outlay	1,000	1,000	0
Contingency	1,211	430	261
	<hr/>	<hr/>	<hr/>
Total Expenditures	265,797	264,397	259,380
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	0	0	11,972
<u>FUND BALANCE</u> - Beginning of Year	274,101	274,101	274,101
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCE</u> - End of Year	\$ 274,101	\$ 274,101	\$ 286,073
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes to the financial statements are an integral part of this statement.

MID-MICHIGAN LIBRARY LEAGUE
CADILLAC, MICHIGAN

RECONCILIATION OF THE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE TO THE STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2018

Net Change in Fund Balance General Fund	\$ 11,972
Amounts reported for governmental 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.	
Depreciation Expense	(766)
Compensated Absences are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the funds.	
Compensated Absences - Beginning of Year	3,605
Compensated Absences - End of Year	(2,322)
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.	
Changes in Net Pension Liability	10,902
Changes in Subsequent Pension Contributions	5,117
Changes in the Net Difference Between the Projected and Actual Pension Investment Earnings	<u>(38,574)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (10,066)</u></u>

The notes to the financial statements are an integral part of this statement.

MID-MICHIGAN LIBRARY LEAGUE
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary governmental is financially accountable. Mid-Michigan Library League does not have any *fiduciary activities*, *business-type activities* or *component units*.

B. Reporting Entity

The League is a library cooperative formed under Michigan Public Act 89, section 6(a). The League board consists of nine members. The service area is divided into nine geographic areas. Member libraries located in those geographic areas select a representative to the nine member Board of Trustees. The League board receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the League board is not included in any other governmental "reporting entity" as defined in section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*, since league board members are elected by member libraries, and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

In evaluating how to define the entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the League and/or its constituents, or whether the activity is conducted within the geographic boundaries of the League and is generally available to its constituents. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the League is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no associated organizations included in the League's reporting entity.

MID-MICHIGAN LIBRARY LEAGUE
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

Mid-Michigan Library League reports the following major governmental fund:

The *General Fund* is the primary operating fund of the League. It is used to account for all financial resources of the League.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues 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 governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are 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. General capital asset acquisitions are reported as expenditures in governmental funds.

State grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of

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year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

F. Budgetary Information

1. Budgetary Basis of Accounting

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

- a) The director of the League annually prepares an operating budget taking into consideration the recommendations of the advisory council. The operating budget includes proposed expenditures and the means of financing them.
- b) The budget is approved by the League board prior to the start of the fiscal year which it covers.
- c) All transfers of budget amounts between accounts within the General Fund must be approved by the League board.
- d) The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgeted amounts are as originally adopted, or as amended by the League board.
- e) Budget appropriations lapse at the end of the fiscal year.
- f) Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the League because, at present, it is not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

2. Excess of Expenditures Over Appropriations

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
Rental of Building	\$ 8,286	\$ 8,299

This overage was covered by available fund balance and greater than anticipated revenues.

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G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The League's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments. The government considers all highly liquid investments (including certificates of deposit) to be cash equivalents.

2. Investments

The League has adopted a policy that limits its investments to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

- 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 of a financial institution.
- c) Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d) Repurchase agreements consisting of instruments listed in (i).
- e) Banker's acceptances of United States banks.
- f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated investment grade by not less than one standard rating service.
- g) Mutual funds registered under the Investment Company Act of 1940, title I of chapter 686, 54 Stat. 789 15 U.S.C. 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by the League. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
- h) Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.512.
- i) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.118.

3. Inventories and Prepaid Items

Inventories are not significant and are expensed as acquired.

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Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated acquisition value on the date received. Capital assets with a cost of under \$1,000 are not capitalized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Equipment	5 years
Furniture and Fixtures	10 years

5. *Unearned Revenue*

Unearned revenue arises when resources are received by the League before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The League does not have unearned revenue.

6. *Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

7. *Deferred Outflows/Inflows 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. The League has one item that qualifies for reporting in this category, which is related to the pension plan for its employees. Details can be found in footnote III.F.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The League has one item that qualifies for reporting in this category, which is related to the pension plan for its employees. Details can be found in footnote III.F.

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8. *Pension*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System (MERS) 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. *Net Position Flow Assumption*

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

10. *Fund Balance Flow Assumption*

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

11. *Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

12. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other internally dedicated resources are reported as general revenues rather than as program revenues.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note I.F.2, on the Excess of Expenditures Over Appropriations, describes a budgetary violation that occurred for the year ended September 30, 2018.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits with Financial Institutions

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of September 30, 2018, all of the League's bank balance of \$226,685 was insured and was not exposed to custodial credit risk. Although it is not specifically addressed in the League's investment policy, the League typically limits its exposure to this type of risk by controlling who holds its deposits.

Interest rate risk. The League 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

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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 investing pools and limiting the average maturity in accordance with the League's cash requirement.

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 (NRSOs).

Concentration of credit risk. The League will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the League'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.

Foreign currency risk. The League is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the League's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the investments.

Fair Market Value Disclosure - The League 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. 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: Prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices from similar activities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include, but are not limited to, repurchase agreements, U.S. government agency securities, corporate securities, and commercial paper.

Level 3: Prices determined using significant unobservable inputs. 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 may be used. Unobservable inputs reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

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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. There are two types of valuation techniques most commonly used and vary depending on the level of investment. These two techniques are the market approach and income approach. The market approach uses prices and other relevant information generated by the market transactions involving identical or similar assets and liabilities. The income approach discounts future amounts to a single current amount and the discount rate used in the process should reflect current market expectations about risks associated with those future cash flows.

The League does not have any investments that are subject to fair value disclosure.

B. Receivables

Receivables as of year-end for the government's General Fund are as follows:

Receivables	
Accounts Receivable	<u><u>\$ 80</u></u>

The allowance for doubtful accounts is not considered to be material for disclosure.

C. Capital Assets

A summary of changes in the League's capital assets follows:

	Balance October 1, 2017	Additions	Deletions	Balance September 30, 2018
Capital assets:				
Equipment	\$ 3,829	\$ 0	\$ 0	\$ 3,829
Accumulated Depreciation:	(1,526)	(766)	0	(2,292)
Net capital assets	<u><u>\$ 2,303</u></u>	<u><u>\$ (766)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 1,537</u></u>

D. Long-Term Debt

A summary of the Long-Term Debt transactions for the League for the year ended September 30, 2018, is as follows:

	NET PENSION LIABILITY	COMPENSATED ABSENCES	TOTAL
Long-Term Debt at October 1, 2017	\$ 80,532	\$ 3,605	\$ 84,137
Liabilities Increase (Decrease)	(10,902)	(1,283)	(12,185)
Long-Term Debt at September 30, 2018	<u><u>\$ 69,630</u></u>	<u><u>\$ 2,322</u></u>	<u><u>\$ 71,952</u></u>
Due Within One Year	Unknown	\$ 0	\$ 0

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E. Risk Management

The Mid-Michigan Library League is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation).

The Mid-Michigan Library League continues to carry commercial insurance for various risks of loss, including general liability, property and casualty, and accident insurance, and workers' disability compensation. The Mid-Michigan Library League has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

F. Employee Retirement Systems

Plan Description:

The League's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and their beneficiaries. The League 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 for the system. This report may be obtained by accessing the MERS website at www.mersofmich.com or by writing to the System at:

MERS
Municipal Employees' Retirement System of Michigan
1134 Municipal Way
Lansing, MI 48917

Benefits Provided

	<u>2017 Valuation</u>
Benefit Multiplier:	2.00% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
Employee Contributions:	0%
Act 88:	Yes (Adopted 08/27/2015)

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Employees Covered by Benefit Terms

At the December 31, 2017, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>1</u>
Total employees covered by MERS	<u><u>7</u></u>

Contributions

MERS members are not required to make any contributions to the plan. The League 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 additional amounts to finance any unfunded accrued liability. The League may establish contribution rates to be paid by its covered employees.

League contributions were 23.27% based on annual payroll for open divisions.

Net Pension Liability

The League's net pension liability was measured as of December 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2017 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

Although no specific price inflation assumptions are needed for the valuation, the 3.75% long-term wage inflation assumption would be consistent with a price inflation of 2.5%.

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.

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

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allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.50%	5.02%
Global Fixed Income	20.00%	2.18%
Real Assets	12.50%	4.23%
Diversifying Strategies	10.00%	6.56%

Discount Rate

The discount rate used to measure the total pension liability is 8.0% for 2017. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the regular 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 Net Pension Liability

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Balance at December 31, 2016	\$ 750,838	\$ 670,306	\$ 80,532
Service cost	8,867	0	8,867
Interest	58,772	0	58,772
Difference between expected and actual experience	12,612	0	12,612
Change in assumptions	0	0	0
Contributions - employer	0	5,108	(5,108)
Net investment income	0	87,432	(87,432)
Benefit payments, including refunds	(41,233)	(41,233)	0
Administrative expenses	0	(1,387)	1,387
Other Changes	0	0	0
Net changes	39,018	49,920	(10,902)
Balance at December 31, 2017	\$ 789,856	\$ 720,226	\$ 69,630

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

The following presents the net pension liability of the League, calculated using the discount rate of 8.0%, as well as what the League's net pension liability would be using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
\$ 139,965	\$ 69,630	\$ 8,745

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

For the year ended September 30, 2018, the League recognized pension expense of \$25,352. At September 30, 2018, the League reported deferred outflows and inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 0	\$ 17,126
Employer contributions to the plan subsequent to the measurement date	7,095	0
Total	\$ 7,095	\$ 17,126

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending September 30, 2019.

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

Years Ending September 30,	Amount
2019	\$ 2,542
2020	210
2021	(12,092)
2022	(7,786)
	\$ (17,126)

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IV. OTHER INFORMATION

A. Building Lease

The League entered into a 4-year operating lease for a portion of a building in downtown Cadillac, Michigan starting at \$450 per month. This lease comes with an option for a reduced rent following building improvements made by the League. This reduction lasts for eighteen months. There is also an increase in the base rental rate in the third year (3%) and again in the fourth year (3%). This lease follows the completion of a previous 12-month lease. The total cost for the lease was \$8,299 for the year ended September 30, 2018. The future minimum lease payments are as follows:

<u>Year Ending September 30,</u>	
2019	\$ 5,630
2020	<u>3,339</u>
	<u><u>\$ 8,969</u></u>

B. Concentration of Credit Risk

Financial instruments which potentially subject the League to a concentration of credit risks consist principally of receivables from member libraries. Even though no one member library accounts for a significant portion of this receivable, they are all heavily reliant on state and local revenues. During this period of governmental budget cutting, there is a potential risk that some member libraries could lose significant revenue sources, causing them to default on their obligations to the League. No provision for uncollectible accounts has been made.

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SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY
AND RELATED RATIOS - MERS
FOR PLAN YEAR ENDED DECEMBER 31,
(ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)

	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$ 8,867	\$ 12,467	\$ 8,118	\$ 7,610
Interest	58,772	58,746	51,215	49,816
Difference Between Expected and Actual Experience	12,612	(34,261)	22,658	0
Changes in Assumptions	0	0	35,766	0
Benefit Payments	(41,233)	(28,411)	(26,384)	(16,247)
Other Changes	0	0	1,601	0
Net Change in Total Pension Liability	39,018	8,541	92,974	41,179
Total Pension Liability - Beginning	750,838	742,297	649,323	608,144
Total Pension Liability - Ending	\$ 789,856	\$ 750,838	\$ 742,297	\$ 649,323
Plan Fiduciary Net Position				
Contributions - Employer	\$ 5,108	\$ 4,587	\$ 3,435	\$ 3,379
Net Investment Income	87,432	70,521	(9,728)	40,020
Benefit Payments Including Employee Refunds	(41,233)	(28,411)	(26,384)	(16,247)
Administrative Expense	(1,387)	(1,393)	(1,434)	(1,470)
Net Change in Plan Fiduciary Net Position	49,920	45,304	(34,111)	25,682
Plan Fiduciary Net Position - Beginning	670,306	625,002	659,113	633,431
Plan Fiduciary Net Position - Ending	\$ 720,226	\$ 670,306	\$ 625,002	\$ 659,113
Employer Net Pension Liability (Asset)	\$ 69,630	\$ 80,532	\$ 117,295	\$ (9,790)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	91%	89%	84%	102%
Covered Employee Payroll	68,211	98,324	105,844	99,213
Employer's Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	102%	82%	111%	(10%)

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SCHEDULE OF EMPLOYER'S CONTRIBUTIONS - MERS

YEAR ENDED SEPTEMBER 30,

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarial Determined Contributions	\$ 5,108	\$ 4,587	\$ 3,435	\$ 3,379	\$ 2,814	\$ 2,395	\$ 2,474	\$ 907	\$ 6,211	\$ 13,968
Contributions in Relation to the Actuarially Determined Contribution	5,108	4,587	3,435	3,379	2,814	2,395	2,474	907	6,211	13,968
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Employee Payroll	\$ 68,211	\$ 98,324	\$ 105,844	\$ 99,213	\$ 99,213	\$ 100,461	\$ 101,520	\$ 99,821	\$ 107,600	\$ 131,139
Contributions as a Percentage of Covered Employee Payroll	7%	5%	3%	3%	3%	2%	2%	1%	6%	11%

Notes to Schedule

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	25 Years
Asset Valuation Method	10 Year Smoothed
Inflation	2.50%
Salary Increases	3.75%
Investment Rate of Return	7.75%
Retirement Age	Varies Depending on Plan Adoption
Mortality	50% Female/50% Male RP-2014 Group Mortality Table

