

Redford Township District Library

**Financial Report
with Supplemental Information
March 31, 2013**

Redford Township District Library

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Independent Auditor's Report

To the Board of Trustees
Redford Township District Library

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Redford Township District Library (the "Library") as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise Redford Township District Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board of Trustees
Redford Township District Library

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Redford Township District Library as of March 31, 2013 and the respective changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the basic financial statements, the 2012 basic financial statements have been restated to correct a misstatement of the liability for other postemployment benefits. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the major fund budgetary comparison schedule be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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.

Plante & Moran, PLLC

September 11, 2013

Redford Township District Library

Management's Discussion and Analysis

Our discussion and analysis of Redford Township District Library's (the "Library") financial performance provides an overview of the Library's financial activities for the fiscal year ended March 31, 2013. Please read it in conjunction with the Library's financial statements.

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 longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; 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 Library's operations in more detail than the government-wide financial statements by providing information about the Library's most significant funds.

Statement of Net Position/Statement of Activities

The following table shows, in a condensed format, the net position as of March 31, 2013 and 2012:

	March 31	
	2013	2012
		(as restated)
Assets		
Current assets	\$ 4,521,380	\$ 5,170,670
Capital assets	7,790,689	8,071,928
Total assets	12,312,069	13,242,598
Liabilities		
Current liabilities	644,637	520,423
Long-term liabilities	6,569,121	6,286,941
Total liabilities	7,213,758	6,807,364
Net Position		
Net investment in capital assets	2,365,689	2,251,928
Restricted	697,367	718,775
Unrestricted	2,657,333	3,464,531
Total net position	<u>\$ 5,720,389</u>	<u>\$ 6,435,234</u>

Redford Township District Library

Management's Discussion and Analysis (Continued)

The Library's combined net position decreased 11.1 percent from a year ago, decreasing from approximately \$6.4 million to \$5.7 million.

The following table shows the changes in net position during the fiscal years ended March 31, 2013 and 2012:

	Year Ended March 31	
	2013	2012
		(as restated)
Revenue		
Tax levy	\$ 1,307,455	\$ 1,501,931
Penal fines	43,893	55,126
State aid	21,659	19,497
Book fines	55,333	55,487
Investment earnings	40,813	145,090
Miscellaneous	71,113	61,060
Total revenue	1,540,266	1,838,191
Expenses		
Personnel	1,087,078	1,072,945
Contractual services and books	201,678	154,898
Operating costs	299,918	447,639
Debt service	231,958	249,425
Depreciation	434,479	509,302
Total expenses	2,255,111	2,434,209
Change in Net Position	\$ (714,845)	\$ (596,018)

The Library's total revenue decreased by approximately \$298,000 in the current year. Property taxes decreased by approximately \$194,000 due primarily to a decrease in property tax value in Redford Township. Conversely, investment earnings decreased by \$104,000 primarily due to a decline in interest rates from the previous year.

Overall, current year expenses decreased by approximately \$179,000 or 7.0 percent from the prior year. The Library has made a concerted effort to contain costs by implementing reductions in medical healthcare costs (primarily retiree healthcare) and capital outlay in fiscal year 2013.

Redford Township District Library

Management's Discussion and Analysis (Continued)

The Library's Funds

Our analysis of the Library's major funds follows the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Library as a whole. The Library board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as the property tax millage for the 2002 bond issuance. The Library's major funds for 2013 consisted of the General Fund and the Debt Service Fund.

Budgetary Highlights

Over the course of the year, the Library amended the budget to account for an increase in contractual services and books and a decrease in operating costs. The Library had no negative budget variances.

Capital Asset and Debt Administration

A major undertaking in 2013 was the development of a five-year strategic plan. The Library hired a facilitator and commissioned a professional telephone survey to determine the Redford community's needs. During the year, the Library purchased new computer equipment and library materials (books, CDs, and audiovisual materials). The library building was constructed with the proceeds received from the issuance of \$8.5 million 2002 Library Building and Site Bonds, which was refunded in the previous year by issuing \$5,425,000 in bonds with an interest rate range of 1.5 percent to 2.25 percent and retired the 2002 Library Building and Site Bonds. The outstanding balance on the bonds was \$5.425 million on March 31, 2013.

Economic Factors and Next Year's Budgets and Rates

The Library continues to monitor staffing levels and library services, using survey results from the strategic planning process to ensure that it is meeting public needs. An expected decline in property taxes will cause some tightening in operating expenses next year; however, the Library has a strategic plan and long-range budget plan in place. The Library board will consider pursuing additional millage funding in 2014.

Contacting the Library's Management

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

Redford Township District Library

Individual Funds Balance Sheet/Statement of Net Position March 31, 2013

	Individual Library Funds			GASB No. 34 Adjustments (Note 13)	Library as a
	General Fund	Debt Service Fund	Total Modified Accrual Basis		Whole
					Statement of Net Position - Full Accrual Basis
Assets					
Cash and investments (Note 4)	\$ 3,720,133	\$ 535,902	\$ 4,256,035	\$ -	\$ 4,256,035
Taxes receivables	103,492	51,016	154,508	-	154,508
Due from other governmental units	105,077	-	105,077	-	105,077
Due from other funds/internal balances (Note 6)	-	117,312	117,312	(117,312)	-
Prepaid expenses	5,760	-	5,760	-	5,760
Capital assets (Note 7):					
Assets not subject to depreciation	-	-	-	325,000	325,000
Assets subject to depreciation	-	-	-	7,465,689	7,465,689
Total assets	\$ 3,934,462	\$ 704,230	\$ 4,638,692	7,673,377	12,312,069
Liabilities					
Accounts payable	\$ 49,797	\$ -	\$ 49,797	-	49,797
Due to other governmental units	-	6,863	6,863	-	6,863
Due to other funds (Note 6)	117,312	-	117,312	(117,312)	-
Accrued liabilities and other	44,223	-	44,223	39,649	83,872
Deferred property taxes	103,492	51,016	154,508	(154,508)	-
Noncurrent liabilities:					
Due within one year:					
Compensated absences (Note 8)	-	-	-	24,105	24,105
Current portion of long-term debt (Note 8)	-	-	-	480,000	480,000
Due in more than one year:					
Compensated absences (Note 8)	-	-	-	87,601	87,601
Net other postemployment benefits (Note 12)	-	-	-	914,442	914,442
Long-term debt (Note 8)	-	-	-	4,945,000	4,945,000
Total liabilities	314,824	57,879	372,703	6,218,977	6,591,680
Fund Balance (Note 9)					
Nonspendable	5,760	-	5,760	(5,760)	-
Restricted	-	646,351	646,351	(646,351)	-
Assigned	3,510,000	-	3,510,000	(3,510,000)	-
Unassigned	103,878	-	103,878	(103,878)	-
Total fund balance	3,619,638	646,351	4,265,989	(4,265,989)	-
Total liabilities and fund balance	\$ 3,934,462	\$ 704,230	\$ 4,638,692		
Net Position					
Net investment in capital assets				2,365,689	2,365,689
Restricted - Debt service				697,367	697,367
Unrestricted				2,657,333	2,657,333
Total net position				\$ 5,720,389	\$ 5,720,389

Redford Township District Library

Individual Funds Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities

	Individual Library Funds			GASB No. 34 Adjustments (Note 13)	Library as a
	General Fund	Debt Service Fund	Total Modified Accrual Basis		Whole
					Statement of Net Activities - Full Accrual Basis
Revenues					
Tax levy	\$ 741,762	\$ 565,245	\$ 1,307,007	\$ 448	\$ 1,307,455
Penal fines	43,893	-	43,893	-	43,893
State aid	21,659	-	21,659	-	21,659
Book fines	55,333	-	55,333	-	55,333
Investment earnings	40,727	86	40,813	-	40,813
Miscellaneous	71,113	-	71,113	-	71,113
Total revenues	974,487	565,331	1,539,818	448	1,540,266
Expenditures/Expenses					
Personnel	945,283	-	945,283	141,795	1,087,078
Contractual services and books	324,213	-	324,213	(122,535)	201,678
Operating costs	299,918	-	299,918	-	299,918
Debt service	-	587,309	587,309	(355,351)	231,958
Capital outlay	30,705	-	30,705	(30,705)	-
Depreciation	-	-	-	434,479	434,479
Total expenditures/expenses	1,600,119	587,309	2,187,428	67,683	2,255,111
Net Change in Fund Balances/Net Position	(625,632)	(21,978)	(647,610)	(67,235)	(714,845)
Fund Balances/Net Position - Beginning of year - As restated (Note 2)	4,245,270	668,329	4,913,599	1,521,635	6,435,234
Fund Balances/Net Position - End of year	\$ 3,619,638	\$ 646,351	\$ 4,265,989	\$ 1,454,400	\$ 5,720,389

Redford Township District Library

Notes to Financial Statements March 31, 2013

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

The Library is governed by an appointed seven-member board of trustees. In accordance with generally accepted accounting principles, there are no component units to be included in these financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Library's basic financial statements include both the Library as a whole and its individual fund financial statements.

Library as a Whole Financial Statements

The Library as a whole financial statements (i.e., the statement of net position and the statement of activities columns) are reported using the economic resources measurement focus and the accrual basis of accounting, which are described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenue, grants, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The statement of activities includes depreciation on long-term assets and eliminates capital outlay expense.

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

Fund Financial Statements

The Library's individual fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which is described below.

Redford Township District Library

Notes to Financial Statements March 31, 2013

Note I - Summary of Significant Accounting Policies (Continued)

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

Revenue is recognized in the accounting period in which it becomes susceptible to accrual, that is, when it becomes both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

When an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available, the Library's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the Library's policy to spend funds in the following order: committed, assigned, and then unassigned.

The Library reports the following governmental funds:

General Fund - The General Fund contains the records of the ordinary activities of the Library. General Fund activities are financed by revenue from a general property tax millage, state aid, and other sources.

Debt Service Fund - The Debt Service Fund is used to account for the annual payments of principal, interest, and expenses in connection with the 2002 Library Building and Site Bonds that were refunded in 2012. Debt Service Fund activities are financed by revenue from a property tax millage that expires in 2021.

Assets, Liabilities, and Net Position or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments - Investments are recorded at fair value, based on quoted market prices.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds."

Redford Township District Library

Notes to Financial Statements March 31, 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

Property Taxes - Property tax receivables are shown net of allowance for uncollectible amounts, if deemed necessary. Properties are assessed as of December 31 and become a lien on December 1 of the following year. Related property taxes are billed on July 1 and December 1 of the following year. These taxes are due on September 15 and February 14 with the final collection date of February 28 before they are added to the county tax rolls.

The July 1, 2012 debt millage and the December 1, 2012 operating millage are intended to finance debt service and operations for the year ended March 31, 2013. Therefore, they are recognized as revenue during the current year.

The 2013 taxable valuation of the Library totaled approximately \$867 million, on which taxes levied consisted of 0.9233 mills for the Library's operations and 0.6600 mills for debt service. This resulted in \$742,000 for operations and \$565,000 for debt service. These amounts are recognized in the respective General Fund and Debt Service Fund financial statements as tax revenue.

Capital Assets - Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, furniture and equipment, library books, periodicals, and videos are depreciated using the straight-line method over their useful lives, as follows:

Buildings	50 years
Furniture and equipment	5-15 years
Library books and AV materials	2-10 years

Compensated Absences (Vacation and Sick Leave) - It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay is accrued when incurred in the Library-wide financial statements. A liability for these amounts is reported in governmental funds only for eligible employee terminations as of year end.

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

Redford Township District Library

Notes to Financial Statements March 31, 2013

Note I - Summary of Significant Accounting Policies (Continued)

Pension and Other Postemployment Benefit Costs - The Library offers both pension and retiree healthcare benefits to board-approved retirees. The Library receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide financial statements, the Library reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

Fund Equity - In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the board of trustees for use for specific purposes. Commitments are made and can be rescinded only via resolution of the appointed seven-member board of trustees.
- **Assigned:** Intent to spend resources on specific purposes is expressed by the board of trustees or library director
- **Unassigned:** Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the period. Actual results could differ from those estimates.

Redford Township District Library

Notes to Financial Statements March 31, 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

Implementation of GASB Statement Number 63 - In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The 2012 financial report reflects the implementation of this statement. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

Note 2 - Prior Period Adjustment

Beginning net position has been restated as of March 31, 2012 in order to reflect the impact of lower employee health insurance premiums on the other postemployment (OPEB) liability. In April 2010, the Library changed insurance providers, which had a significant impact on the annual required contribution (ARC). The reduction in premiums caused the ARC and associated OPEB liability to decrease; however, the actuarial valuation used for FY 2011 and FY 2012 did not reflect this significant change in rates and resultant decrease in the ARC. The effect of this correction is described in the following table.

	<u>Library as a Whole</u>
Net position - March 31, 2012 - As previously reported	\$ 5,800,452
Reduction to the OPEB annual required contributions for 2011 and 2012 due to reduced employee health insurance premiums effective April 2010 not previously incorporated into the actuarial valuations	<u>634,782</u>
Fund position - March 31, 2012 - As restated	<u>\$ 6,435,234</u>

Note 3 - Stewardship, Compliance, and Accountability

Budget Information - The annual budget is prepared by the director and the Library board and adopted by the Library board; subsequent amendments are approved by the Library board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2013 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

Redford Township District Library

Notes to Financial Statements March 31, 2013

Note 3 - Stewardship, Compliance, and Accountability (Continued)

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. The budget statement is adopted by fund and function. The budget statement (statement of revenue, expenditures, and changes in fund balance) is presented on the same basis of accounting and level of detail as the adopted budget. State law requires expenditures to stay within appropriated amounts, and the Library did not have any unfavorable expenditure budget variances.

Note 4 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Library is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library has designated four banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Library's deposits and investment policies are in accordance with statutory authority.

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. At year end, the Library had \$59,887 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. Negotiable certificates of deposits and bank investment pools are not insured.

Redford Township District Library

Notes to Financial Statements March 31, 2013

Note 4 - Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Library's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity.

At year end, the Library had the following investments and maturities:

Investment	Less than 1 Year	1-5 Years	More than 5 Years
Negotiable certificates of deposit	\$ 916,056	\$ 998,425	\$ 805,389

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Library has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pools	\$ 717,335	AAA	S&P
Bank investment pools	535,902	AAA	S&P
Negotiable certificates of deposit	<u>2,719,870</u>	Not rated	N/A
Total	<u>\$ 3,973,107</u>		

Note 5 - Receivables and Deferred Revenue

The Library's individual fund financial statements report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. The individual fund financial statements also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenue consists of unavailable delinquent property taxes of \$154,508.

Note 6 - Interfund Receivables, Payables, and Transfers

The following are the interfund receivables at March 31, 2013:

Receivable Fund	Payable Fund	Amount
Debt Service Fund	General Fund	<u>\$ 117,312</u>

Redford Township District Library

Notes to Financial Statements March 31, 2013

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

These balances result from the time lag between the recording of the transaction in the accounting system and the actual payments being made between funds.

Note 7 - Capital Assets

Capital asset activity of the Library was as follows:

Governmental Activities	Balance April 1, 2012	Additions	Disposals	Balance March 31, 2013
Capital assets not being depreciated - Land	\$ 325,000	\$ -	\$ -	\$ 325,000
Capital assets being depreciated:				
Building	7,877,026	-	-	7,877,026
Furniture and equipment	1,108,083	23,139	-	1,131,222
Library books and audiovisual materials	3,851,497	130,101	-	3,981,598
Subtotal	12,836,606	153,240	-	12,989,846
Accumulated depreciation:				
Building	1,259,247	157,540	-	1,416,787
Furniture and equipment	560,030	101,233	-	661,263
Library books and audiovisual materials	3,270,401	175,706	-	3,446,107
Subtotal	5,089,678	434,479	-	5,524,157
Net capital assets being depreciated	7,746,928	(281,239)	-	7,465,689
Net capital assets	<u>\$ 8,071,928</u>	<u>\$ (281,239)</u>	<u>\$ -</u>	<u>\$ 7,790,689</u>

Note 8 - Long-term Debt

The Library issued bonds to provide for the acquisition and construction of a library facility. The Library has the following long-term debt outstanding as of March 31, 2013:

Governmental Activities	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable - 2002 Library and Building and Site Bonds, original issue of \$8,500,000 maturing through 2013	3.7%	\$395,000	\$ 395,000	\$ -	\$ 395,000	\$ -	\$ -
2012 Library Refunding Bonds (Unlimited Tax General Obligation) original issue of \$5,425,000 maturing through 2022	1.5%-2.25	\$480,000- \$610,000	5,425,000	-	-	5,425,000	480,000
Total bonds payable			5,820,000	-	395,000	5,425,000	480,000
Other long-term liabilities - Compensated absences		N/A	101,812	35,550	25,656	111,706	24,105
Total governmental activities			<u>\$5,921,812</u>	<u>\$ 35,550</u>	<u>\$ 420,656</u>	<u>\$5,536,706</u>	<u>\$ 504,105</u>

The compensated absences represent the estimated liability to be paid to employees under the Library's paid time-off policy. Under the Library's policy, employees earn paid time off based on time of service with the Library.

Redford Township District Library

Notes to Financial Statements March 31, 2013

Note 8 - Long-term Debt (Continued)

Debt Service Requirements

The annual requirements to service all debt outstanding as of March 31, 2013 (excluding compensated absences), including principal and interest, are as follows

Year Ending March 31	Principal	Interest	Total
2014	\$ 480,000	\$ 91,558	\$ 571,558
2015	495,000	84,245	579,245
2016	510,000	76,708	586,708
2017	525,000	68,945	593,945
2018	530,000	61,033	591,033
2019-2022	<u>2,885,000</u>	<u>152,913</u>	<u>3,037,913</u>
Total	<u>\$ 5,425,000</u>	<u>\$ 535,402</u>	<u>\$ 5,960,402</u>

Note 9 - Fund Balance Constraints

Fund balance constraints are as follows:

	General Fund	Debt Service Fund	Total
Fund Balances			
Nonspendable	\$ 5,760	\$ -	\$ 5,760
Restricted for debt service	-	646,351	646,351
Assigned:			
Property tax float	650,000	-	650,000
Capital improvements and replacements	860,000	-	860,000
Library construction - Second floor	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>
Total assigned	3,510,000	-	3,510,000
Unassigned	<u>103,878</u>	<u>-</u>	<u>103,878</u>
Total fund balances	<u>\$ 3,619,638</u>	<u>\$ 646,351</u>	<u>\$ 4,265,989</u>

The property tax float assignment represents approximately 75 percent of the taxes levied in December 2012 to fund Library operations from January 2013 to December 2013, until taxes are collected next year.

Capital improvements and replacements are assignments to fund the estimated future capital outlay needs of the Library.

Library construction - second floor is an assignment to fund the costs associated with completing the construction of the unfinished space on the second floor of the Library.

Redford Township District Library

Notes to Financial Statements March 31, 2013

Note 9 - Fund Balance Constraints (Continued)

Unassigned fund balance has not been assigned for a specific purpose at this time, but management is in the process of evaluating several potential uses.

Note 10 - Risk Management

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

Note 11 - Pension Plan

Plan Description - The Library provides a defined benefit pension plan to its employees through the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer pension plan. MERS provides retirement and disability benefits; these benefits were established in Library policies and may be amended at any time. MERS issues a publicly available financial report that includes financial statements as well as trend information for the system; that report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy - The obligation to contribute to and maintain MERS for these employees was established by negotiation with the Library's employees and currently does not require employee contributions.

Annual Pension Cost - For the year ended March 31, 2013, the Library's annual pension cost of \$76,686 was equal to the required and actual contribution that was determined by the actuarial valuation at December 31, 2010, using the entry age normal actuarial cost method. The actuarial assumptions included (a) an 8 percent investment rate of return, (b) projected salary increases of 2 percent per year, with a 4.5 percent inflation increase, and (c) no cost of living adjustments.

Three-year trend information is as follows:

Employer contributions and annual OPEB cost data for the current and two preceding years were as follows:

Fiscal Year Ended	Annual Pension Costs	Employer Contributions Percentage of ARC Contributed
3/31/11	\$ 78,000	100.0 %
3/31/12	76,000	100.0 %
3/31/13	76,686	100.0 %

Redford Township District Library

Notes to Financial Statements March 31, 2013

Note 11 - Pension Plan (Continued)

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/10	\$ 1,776,386	\$ 1,967,306	\$ 190,920	90.3	\$ 514,310	37.1
12/31/11	1,844,386	2,151,114	306,728	85.7	498,841	61.5
12/31/12	1,894,277	2,232,584	338,307	84.8	492,334	68.7

Actuarial Methods and Assumptions - In the December 31, 2012 actuarial valuation, the entry age actuarial cost method was used. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 2 percent per year, and (c) no cost of living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 27 years.

Note 12 - Other Postemployment Benefits

The Library provides healthcare benefits to all full-time employees upon retirement, in accordance with current Library policy; however, the board reserves the right to change or withdraw that benefit at any time. In the current year, the board authorized a \$30,000 transfer into a single employer-defined benefit plan administered by the Municipal Employees' Retirement System. Currently, the Library has one retiree who qualifies for postemployment benefits. Expenditures for postemployment healthcare benefits are recognized as the insurance premiums become due.

Plan Description - The Library provides retiree healthcare benefits to eligible employees and their spouses. This is a single employer defined benefit plan administered by the Library. The benefits are provided to employees based on board approval.

Funding Policy - The employee benefit currently does not require a contribution from employees. The Library has no obligation to make contributions in advance of when the insurance premiums are due for payment.

Redford Township District Library

Notes to Financial Statements March 31, 2013

Note 12 - Other Postemployment Benefits (Continued)

Funding Progress - For the year ended March 31, 2013, the Library has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of March 31, 2013. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 189,104
Interest on the prior year's net OPEB obligation	31,302
Less adjustment to the annual required contribution	<u>(46,963)</u>
Annual OPEB cost	173,443
Less amounts contributed:	
Payments of current premiums	(11,542)
Advance funding	<u>(30,000)</u>
Increase in net OPEB obligation	131,901
OPEB obligation - Beginning of year - As restated (Note 2)	<u>782,541</u>
OPEB obligation - End of year	<u>\$ 914,442</u>

Employer contributions and annual OPEB cost data for the current and two preceding years were as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Annual OPEB Costs (as restated)	Employer Contributions		Net OPEB Obligation (as restated)
				Percentage of ARC Contributed	Percentage OPEB Costs Contributed	
3/31/11	3/31/10	\$ 189,104	\$ 180,130	6.1 %	6.2 %	\$ 653,422
3/31/12	3/31/10	189,104	173,767	9.0 %	9.3 %	782,541
3/31/13	3/31/13	189,104	173,443	22.0 %	25.8 %	914,442

The ARC for 2011 and 2012 has been adjusted from the 2010 valuation based on a revised premium rate structure implemented in April 2010, which had not been reflected in the 2010 valuation. The funding progress of the plan as of the most recent valuation date (March 31, 2013) properly reflects the reduction in the AAL due to benefit changes implemented by the Library.

Redford Township District Library

Notes to Financial Statements March 31, 2013

Note 12 - Other Postemployment Benefits (Continued)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
3/31/10	\$ -	\$ 3,253,746	\$ 3,253,746	-	\$ 508,569	639.8
3/31/13	103,757	1,811,613	1,707,856	5.7	442,963	385.6

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress above presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the March 31, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date and an annual healthcare cost trend rate of 9 percent initially and then graded down to 5 percent in 2017. The UAAL is being amortized on a level dollar closed basis. The remaining amortization period at March 31, 2013 was 27 years.

Redford Township District Library

Notes to Financial Statements March 31, 2013

Note 13 - Reconciliation of the Library as a Whole and the Individual Fund Financial Statements

Total fund balances and the net change in fund balances of the Library's individual funds differ from net position and change in net position of the Library as a whole reported in the statement of net position and statement of activities. This difference results primarily from the long-term economic focus of the statement of net position and statement of activities versus the current focus of the statement of the individual governmental funds' balance sheet and statement of revenue, expenditures, and changes in fund balance. The following is a reconciliation of fund balance to net position and the net change in fund balance to the net change in net position:

Fund Balance Reported in Governmental Funds	\$ 4,265,989
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	7,790,689
Property tax revenue not collected within 60 days of year end is recorded as deferred revenue in the funds	154,508
Bonds payable are not due and payable in the current period and are not reported in the funds	(5,425,000)
Accrued interest is not due and payable in the current period and is not reported in the funds	(39,649)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(111,706)
Net OPEB obligation does not present a claim on current financial resources. Therefore, it is not reported as a fund liability	<u>(914,442)</u>
Net Position of Governmental Activities	<u>\$ 5,720,389</u>

Redford Township District Library

Notes to Financial Statements March 31, 2013

Note 13 - Reconciliation of the Library as a Whole and the Individual Fund Financial Statements (Continued)

The change in net position reported in the statement of activities column is different than the change in fund balance reported in the individual fund columns because of the different measurement focus and basis of accounting, as discussed in Note 1. Below is a reconciliation of the differences:

Net Change in Fund Balances - Total Governmental Funds	\$ (647,610)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Library books and audiovisual materials	130,101
Capital outlay	23,139
Depreciation expense	(434,479)
Revenues are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end	448
Repayment of bond principal is an expenditure in the fund financial statements, but not in the statement of activities	395,000
Change in accrued interest payable and other	(39,649)
Increase in the accrual for compensated absences is reported as an expenditure in the fund financial statements, but not in the statement of activities	(9,894)
Increase in net OPEB obligation expenses reported in the statement of activities does not require the use of current resources; therefore, it is not reported in the fund statements until it comes due for payment	(131,901)
Change in Net Position of Governmental Activities	<u>\$ (714,845)</u>

Redford Township District Library

Notes to Financial Statements March 31, 2013

Note 14 - Upcoming Accounting Pronouncements

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the Library during the Library's 2014 fiscal year.

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Library is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending March 31, 2017.

Required Supplemental Information

Redford Township District Library

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property taxes	\$ 820,760	\$ 820,760	\$ 741,762	\$ (78,998)
Penal fines	50,000	50,000	43,893	(6,107)
State aid	15,000	15,000	21,659	6,659
Book fines	55,000	55,000	55,333	333
Investment earnings	49,712	49,712	40,727	(8,985)
Miscellaneous	38,500	38,500	71,113	32,613
Total revenues	1,028,972	1,028,972	974,487	(54,485)
Expenditures/Expenses				
Personnel	965,542	965,942	945,283	20,659
Contractual services and books	320,584	335,200	324,213	10,987
Operating costs	317,530	311,914	299,918	11,996
Capital outlay	47,500	47,500	30,705	16,795
Total expenditures/expenses	1,651,156	1,660,556	1,600,119	60,437
Excess of Expenditures Over Revenues	(622,184)	(631,584)	(625,632)	5,952
Fund Balances - Beginning of year	4,245,270	4,245,270	4,245,270	-
Fund Balances - End of year	<u>\$ 3,623,086</u>	<u>\$ 3,613,686</u>	<u>\$ 3,619,638</u>	<u>\$ 5,952</u>

September 11, 2013

To the Board of Directors
Redford Township District Library

We have audited the financial statements of Redford Township District Library (the "Library") as of and for the year ended March 31, 2013 and have issued our report thereon dated September 11, 2013. Professional standards require that we provide you with the following information related to our audit which is divided into the following sections:

Section I - Internal Control Related Matters Identified in an Audit

Section II - Required Communications with Those Charged with Governance

Section I includes any deficiencies we observed in the Library's accounting principles or internal control that we believe are significant. Current auditing standards require us to formally communicate annually matters we note about the Library's accounting policies and internal control.

Section II includes information that current auditing standards require independent auditors to communicate to those individuals charged with governance. We will report this information annually to the board of directors of Redford Township District Library.

We would like to take this opportunity to thank the Library's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This report is intended solely for the use of the board of directors and management of Redford Township District Library and is not intended to be and should not be used by anyone other than these specified parties.

We welcome any questions you may have regarding the following communications and we would be willing to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC



William E. Brickey

Section I - Communications Required Under AU 265

In planning and performing our audit of the financial statements of Redford Township District Library as of and for the year ended March 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Library's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the following deficiencies in the Library's internal control to be material weaknesses:

- Journal entries were required during the audit to ensure the financial statement presentation was in conformity with generally accepted accounting principles, including full accrual presentation of the governmental funds. This qualifies as a material weakness in internal control. The entries included adjustments required for the full accrual presentation of the government-wide statements, an adjustment to record accounts receivable and deferred revenue related to property taxes, and properly recording long-term debt and capital asset activity.
- During the audit, it was noted that the OPEB liability was overstated in the current year due to health insurance premium changes effective in 2010. The reduction in employee health insurance premiums significantly reduced the annual required contribution and the actuarial accrued liability. The Governmental Accounting Standards Board requires that a new actuary report should be completed when a significant change is made to the plan. An adjustment was made to the OPEB liability to account for the benefit changes made in previous years.

Section II - Communications Required Under AU 260

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 21, 2013, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the Library. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 11, 2013.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Redford Township District Library are described in Note 1 to the financial statements. As described in Note 1, the Library implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The 2013 financial report reflects the implementation of this statement.

We noted no transactions entered into by the Library during the year for which there is a lack of authoritative guidance or consensus.

As discussed in Note 2 to the basic financial statements, the 2012 basic financial statements have been restated to correct a misstatement of the liability for other postemployment benefits.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the allowance for uncollectible property taxes and the estimates related to pension and other postemployment benefits (OPEB) funding. We evaluated the key factors and assumptions used to develop the allowance and annual required contribution in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosures of Note 11 - Pension Plan and Note 12 - Postemployment Benefits.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 11, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Library's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.