

Redford Township District Library

**Financial Report
with Supplemental Information
March 31, 2017**

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, 2017 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 opinions.

To the Board of Trustees
Redford Township District Library

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 each major fund of Redford Township District Library as of March 31, 2017 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.

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 required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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

August 14, 2017

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, 2017. 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 Library's net position as of March 31, 2017 and 2016:

	March 31	
	2017	2016
Assets		
Current assets	\$ 4,729,859	\$ 4,566,163
Capital assets	<u>6,937,485</u>	<u>7,032,950</u>
Total assets	11,667,344	11,599,113
Deferred Outflows of Resources	127,812	275,002
Liabilities		
Current liabilities	643,716	618,888
Long-term liabilities	<u>5,211,188</u>	<u>5,904,695</u>
Total liabilities	5,854,904	6,523,583
Deferred Inflows of Resources	<u>54,269</u>	-
Net Position		
Net investment in capital assets	3,522,485	3,092,950
Restricted	863,392	807,427
Unrestricted	<u>1,500,106</u>	<u>1,450,155</u>
Total net position	<u>\$ 5,885,983</u>	<u>\$ 5,350,532</u>

Redford Township District Library

Management's Discussion and Analysis (Continued)

The Library's combined net position increased 10 percent from a year ago, increasing from approximately \$5.3 million to \$5.9 million.

The following table shows the change in net position during the fiscal years ended March 31, 2017 and 2016:

	Year Ended March 31	
	2017	2016
Revenue		
Tax levy	\$ 2,412,073	\$ 2,398,956
Penal fines	36,615	42,252
State aid	32,897	28,477
Book fines	41,908	44,196
Investment earnings	13,388	26,207
State sources	163,883	-
Miscellaneous	93,495	109,561
Total revenue	2,794,259	2,649,649
Expenses		
Personnel	1,364,075	1,479,831
Contractual services and books	158,685	161,546
Operating costs	293,422	280,194
Debt service	65,663	73,521
Capital outlay	987	3,742
Depreciation	375,976	433,594
Total expenses	2,258,808	2,432,428
Change in Net Position	\$ 535,451	\$ 217,221

The Library's total revenue increased by approximately \$145,000 in the current year primarily as a result of a distribution from the State's Local Community Stabilization Authority for certain lost personal property taxes.

Overall, current year expenses decreased by approximately \$174,000, or 7.1 percent, from the prior year. The primary reason for this decrease was due to the Library's net pension liability decreasing by approximately \$381,000. A majority of this decrease is a result of the Library's General Fund contributing an additional \$250,000 to the pension system during the current year.

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 2017 consisted of the General Fund and the Debt Service Fund.

Budgetary and Current Year Highlights

Over the course of the year, the Library amended the budget to account for an additional pension contribution and other minor adjustments.

Capital Asset and Debt Administration

During the year, the Library purchased additional computers, various 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 in 2002 Library Building and Site Bonds, which was refunded in 2012 by issuing \$5,425,000 in bonds with an interest rate range of 1.5 percent to 2.25 percent and retiring the 2002 Library Building and Site Bonds. The outstanding balance on the bonds was \$3.42 million on March 31, 2017.

Economic Factors and Next Year's Budgets and Rates

The Library continues to monitor expenditures and makes every effort to ensure that it is meeting public needs. The budget for next year calls for an increase in capital improvements as the Library looks to replace furniture that is original to the building and upgrade to LED lighting. No changes will be made to current operating levy amounts for the next budget year.

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

Statement of Net Position/Governmental Funds Balance Sheet March 31, 2017

	Individual Library Funds			GASB Statement No. 34 Adjustments (Note 11)	Statement of Net Position - Full-accrual Basis
	General Fund	Debt Service Fund	Total Modified Accrual Basis		
Assets					
Cash and investments	\$ 3,666,305	\$ 813,969	\$ 4,480,274	\$ -	\$ 4,480,274
Receivables:					
Property taxes receivable	200,078	47,394	247,472	-	247,472
Accrued interest receivable	2,113	-	2,113	-	2,113
Due from other funds/internal balances	-	2,027	2,027	(2,027)	-
Capital assets (Note 5):					
Assets not subject to depreciation	-	-	-	325,000	325,000
Assets subject to depreciation	-	-	-	6,612,485	6,612,485
Total assets	<u>3,868,496</u>	<u>863,390</u>	<u>4,731,886</u>	<u>6,935,458</u>	<u>11,667,344</u>
Deferred Outflows of Resources -					
Deferred outflows related to pensions (Note 9)	-	-	-	127,812	127,812
Total assets and deferred outflows	<u>\$ 3,868,496</u>	<u>\$ 863,390</u>	<u>\$ 4,731,886</u>	<u>7,063,270</u>	<u>11,795,156</u>
Liabilities					
Accounts payable	\$ 15,710	\$ -	\$ 15,710	-	15,710
Due to other governmental units	30,398	-	30,398	-	30,398
Due to other funds/internal balances	2,027	-	2,027	(2,027)	-
Accrued liabilities and other	11,560	-	11,560	27,086	38,646
Noncurrent liabilities (Note 6):					
Due within one year:					
Compensated absences	-	-	-	28,962	28,962
Current portion of long-term debt	-	-	-	530,000	530,000
Due in more than one year:					
Compensated absences	-	-	-	121,945	121,945
Net OPEB liability (Note 10)	-	-	-	1,737,475	1,737,475
Net pension liability (Note 9)	-	-	-	466,768	466,768
Long-term debt	-	-	-	2,885,000	2,885,000
Total liabilities	<u>59,695</u>	<u>-</u>	<u>59,695</u>	<u>5,795,209</u>	<u>5,854,904</u>
Deferred Inflows of Resources					
Delinquent property taxes	200,078	47,394	247,472	(247,472)	-
Deferred inflows related to pensions (Note 9)	-	-	-	54,269	54,269
Total deferred inflows of resources	<u>200,078</u>	<u>47,394</u>	<u>247,472</u>	<u>(193,203)</u>	<u>54,269</u>
Equity - Fund balance (Note 8)					
Restricted	-	815,996	815,996	(815,996)	-
Assigned	3,450,000	-	3,450,000	(3,450,000)	-
Unassigned	158,723	-	158,723	(158,723)	-
Total fund balance	<u>3,608,723</u>	<u>815,996</u>	<u>4,424,719</u>	<u>(4,424,719)</u>	<u>-</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 3,868,496</u>	<u>\$ 863,390</u>	<u>\$ 4,731,886</u>		
Net Position					
Net investment in capital assets				3,522,485	3,522,485
Restricted - Debt service				863,390	863,390
Unrestricted				1,500,108	1,500,108
Total net position				<u>\$ 5,885,983</u>	<u>\$ 5,885,983</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

Redford Township District Library

Statement of Activities/Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balance Year Ended March 31, 2017

	Modified Accrual Basis			GASB Statement No. 34 Adjustments (Note 11)	Statement of Activities Full- accrual Basis
	General Fund	Debt Service Fund	Total Modified Accrual Basis		
Revenue					
Tax levy	\$ 1,800,565	\$ 615,290	\$ 2,415,855	\$ (3,782)	\$ 2,412,073
Penal fines	36,615	-	36,615	-	36,615
State aid	32,897	-	32,897	-	32,897
Book fines/fees	41,908	-	41,908	-	41,908
Investment earnings	13,108	280	13,388	-	13,388
Miscellaneous	93,495	-	93,495	-	93,495
State sources	129,252	34,631	163,883	-	163,883
Total revenue	2,147,840	650,201	2,798,041	(3,782)	2,794,259
Expenditures/Expenses					
Personnel	1,322,356	-	1,322,356	41,719	1,364,075
Contractual services and books	306,585	-	306,585	(147,900)	158,685
Operating costs	293,422	-	293,422	-	293,422
Debt service	-	593,945	593,945	(528,282)	65,663
Capital outlay	133,598	-	133,598	(132,611)	987
Depreciation	-	-	-	375,976	375,976
Total expenditures/expenses	2,055,961	593,945	2,649,906	(391,098)	2,258,808
Net Change in Fund Balance/Net Position	91,879	56,256	148,135	387,316	535,451
Fund Balance/Net Position - Beginning of year	3,516,844	759,740	4,276,584	1,073,948	5,350,532
Fund Balance/Net Position - End of year	\$ 3,608,723	\$ 815,996	\$ 4,424,719	\$ 1,461,264	\$ 5,885,983

Redford Township District Library

Notes to Financial Statements March 31, 2017

Note I - Summary of Significant Accounting Policies

Redford Township District Library (the "Library") is located in Redford Township, Michigan. The Library is funded primarily through a tax levy, fines, and fees. Revenue is used to operate and staff the Library. The following is a summary of the significant accounting policies used by Redford Township District Library:

Reporting Entity

Redford Township District Library is governed by an appointed seven-member board of trustees. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting unit. Based on these criteria, there are no component units of the Library that are to be included in the reporting entity.

Accounting and Reporting Principles

The Library follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The individual fund columns present their activities on the modified-accrual basis of accounting, as discussed above, which demonstrates accountability for how the current resources have been spent. The government-wide columns are presented on the economic resources measurement focus and the full-accrual basis of accounting, in order to measure the cost of providing government services, and the extent to which constituents have paid the full cost of government services.

On the full-accrual basis of accounting, revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

Fund Accounting

The Library accounts for its various activities in the General Fund and Debt Service Fund in order to demonstrate accountability for how we have spent certain resources - separate funds allow us to show the particular expenditures for which specific revenue was used. The Library reports the following as "major" governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide the Library's services. General Fund activities are financed by revenue from two general property tax millages, state aid, and other sources.

Redford Township District Library

Notes to Financial Statements March 31, 2017

Note I - Summary of Significant Accounting Policies (Continued)

- The Debt Service Fund is used to account for the annual payments of principal, interest, and expenses in connection with the 2002 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.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified-accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Library considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state aid, state penal fines, property taxes, and interest associated with the current fiscal period.

Specific Balances and Transactions

Cash and Cash Equivalents - 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 reported at fair value. Short-term investments are reported at cost, which approximates fair value.

Capital Assets - Capital assets, which include property, furniture and equipment, library books, and videos, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial individual 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 acquisition value at the date of donation.

Redford Township District Library

Notes to Financial Statements March 31, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Capital Asset Class	Lives
Buildings	50 years
Furniture and equipment	5-15 years
Library books and AV materials	2-10 years

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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an “other financing source,” as well as bond premiums and discounts. The Debt Service Fund is generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Library has one item that qualifies for reporting in this category, deferred outflows of resources related to pensions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Library has two items that qualify for reporting in this category. The deferred inflows of resources relate to delinquent property taxes and deferred inflows related to pensions. Property taxes are shown as deferred inflows of resources on the governmental funds balance sheet.

Net Position Flow Assumption

Sometimes the Library will fund outlays for a particular purpose from both restricted 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 Library’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Redford Township District Library

Notes to Financial Statements March 31, 2017

Note I - Summary of Significant Accounting Policies (Continued)

Fund Balance Flow Assumption

Sometimes the Library 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 Library's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, 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.

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 Library 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 Library 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.

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 library board has, by resolution, authorized the library director to assign fund balance. 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.

Redford Township District Library

Notes to Financial Statements March 31, 2017

Note I - Summary of Significant Accounting Policies (Continued)

Property Tax Revenue

Property taxes receivable 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 Wayne County tax rolls.

The Library's 2017 tax is levied and collectible on December 1, 2016 and is recognized as revenue in the year ended March 31, 2017, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2016 taxable valuation of the Library totaled approximately \$820 million (a portion of which is captured by the Redford Township Brownfield and Downtown Development Authority) on which taxes levied consisted of 2.3233 mills for the Library's operations and 0.7500 mills for debt service, resulting in property tax revenue of approximately \$1,800,000 and \$615,000, respectively. These amounts are recognized in the respective General Fund and Debt Service Fund financial statements as tax revenue.

Pension - The Library offers a defined benefit pension plan to its employees. The Library records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the pension plan, and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability will be liquidated from the funds of the General Fund.

Other Postemployment Benefit Costs - The Library offers retiree healthcare benefits to 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, OPEB costs are recognized as contributions are made. For the government-wide 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 the year underpaid amount, if any. The net OPEB obligation will be liquidated from the funds of the General Fund.

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 government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Redford Township District Library

Notes to Financial Statements March 31, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated absences attributable to the governmental activities will be liquidated by the General Fund. Claims and judgment liabilities, if applicable, will be liquidated through the General Fund. The net OPEB obligation has been liquidated from the funds from which individual employees' salaries are paid, which is the General Fund.

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.

Note 2 - 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, 2017 has not been calculated.

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. During the year, the Library incurred expenditures that were in excess of the amounts budgeted for capital outlay by \$6,598.

Note 3 - Deposits and Investments

Deposits and investments are reported in the financial statements as follows:

	<u>Governmental Activities</u>
Cash	\$ 2,673,501
Investments - Certificates of deposit	<u>1,806,773</u>
Total cash and investments	<u>\$ 4,480,274</u>

Redford Township District Library

Notes to Financial Statements March 31, 2017

Note 3 - Deposits and Investments (Continued)

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 \$2,173,501 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.

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 One Year	1-5 Years	More than 5 Years
Certificates of deposit	\$ 1,289,031	\$ 437,469	\$ 80,273

Redford Township District Library

Notes to Financial Statements March 31, 2017

Note 3 - Deposits and Investments (Continued)

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
Certificates of deposit	\$ 1,806,773	Not rated	N/A

Note 4 - Interfund Receivables, Payables, and Transfers

The following are the interfund receivables at March 31, 2017:

Receivable Fund	Payable Fund	Amount
Debt Service Fund	General Fund	\$ <u>2,027</u>

This balance results from the time lag between the recording of the transaction in the accounting system and the actual payments being made between funds.

Note 5 - Capital Assets

Capital asset activity of the Library was as follows:

	Balance April 1, 2016	Additions	Disposals	Balance March 31, 2017
Governmental Activities				
Capital assets not being depreciated - Land	\$ 325,000	\$ -	\$ -	\$ 325,000
Capital assets being depreciated:				
Building	7,877,026	-	-	7,877,026
Furniture and equipment	1,229,300	132,611	-	1,361,911
Library books and audiovisual materials	4,476,840	147,900	(382,714)	4,242,026
Subtotal	13,583,166	280,511	(382,714)	13,480,963
Accumulated depreciation:				
Building	1,889,410	157,541	-	2,046,951
Furniture and equipment	930,114	90,156	-	1,020,270
Library books and audiovisual materials	4,055,692	128,279	(382,714)	3,801,257
Subtotal	6,875,216	375,976	(382,714)	6,868,478
Net capital assets being depreciated	6,707,950	(95,465)	-	6,612,485
Net capital assets	<u>\$ 7,032,950</u>	<u>\$ (95,465)</u>	<u>\$ -</u>	<u>\$ 6,937,485</u>

Redford Township District Library

Notes to Financial Statements March 31, 2017

Note 6 - 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, 2017:

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities							
2012 Library Refunding Bonds (unlimited tax general obligation) original issue of \$5,425,000 maturing through 2022	1.5%-2.25	\$530,000- \$610,000	\$3,940,000	\$ -	\$ (525,000)	\$3,415,000	\$ 530,000
Other long-term liabilities - Compensated absences		N/A	149,237	26,865	(25,195)	150,907	28,962
Total governmental activities			<u>\$4,089,237</u>	<u>\$ 26,865</u>	<u>\$ (550,195)</u>	<u>\$3,565,907</u>	<u>\$ 558,962</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.

Debt Service Requirements

The annual requirements to service all debt outstanding as of March 31, 2017 (excluding compensated absences), including principal and interest, are as follows:

<u>Year Ending March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 530,000	\$ 61,033	\$ 591,033
2019	545,000	52,289	597,289
2020	560,000	42,420	602,420
2021	575,000	31,970	606,970
2022	595,000	19,972	614,972
2023	610,000	6,863	616,863
Total	<u>\$ 3,415,000</u>	<u>\$ 214,547</u>	<u>\$ 3,629,547</u>

Redford Township District Library

Notes to Financial Statements March 31, 2017

Note 7 - Fund Balance Constraints

Fund balance constraints are as follows:

Fund Balances	Debt		Total
	General Fund	Service Fund	
Restricted for debt service	\$ -	\$ 815,996	\$ 815,996
Assigned:			
Property tax float	1,350,000	-	1,350,000
Capital improvements and replacements	800,000	-	800,000
Library construction - Second floor	1,300,000	-	1,300,000
Total assigned	3,450,000	-	3,450,000
Unassigned	158,723	-	158,723
Total fund balances	<u>\$ 3,608,723</u>	<u>\$ 815,996</u>	<u>\$ 4,424,719</u>

The property tax float assignment represents approximately 75 percent of the taxes levied in December 2016 to fund library operations from January 2017 to December 2017 until taxes are collected next year.

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

The Library construction - second floor assignment will fund the costs associated with completing the construction of the unfinished space on the second floor of the Library.

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 8 - 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 9 - Agent-defined Benefit Pension Plan

Plan Description - The Library participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees Retirement System of Michigan (MERS). MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report, which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917. The plan was closed to new hires after July 1, 2016.

Redford Township District Library

Notes to Financial Statements March 31, 2017

Note 9 - Agent-defined Benefit Pension Plan (Continued)

Benefits Provided - The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

Retirement benefits for employees are calculated as 2.5 percent of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 60 with early reduced retirement age at 50 with 25 years of experience or 55 with 20 years of service. The vesting period is six years. Employees are eligible for duty and nonduty disability benefits and duty and nonduty death benefits. Duty disability retirement benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Nonduty disability benefits are calculated using the standard benefit formula. The member must be vested. Duty-related death benefits are determined as the greater of the standard benefit formula or 25 percent of the final average compensation. There are no vesting requirements. Nonduty-related death benefits are calculated as 85 percent of the defined benefit formula. The member must be vested. All disability and death benefits are payable immediately without actuarial reduction.

There are no annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the library board.

Employees Covered by Benefit Terms - At the December 31, 2016 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	6
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>9</u>
Total employees covered by MERS	<u><u>18</u></u>

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Redford Township District Library

Notes to Financial Statements March 31, 2017

Note 9 - Agent-defined Benefit Pension Plan (Continued)

The annual required contribution was \$95,860 for the fiscal year ended March 31, 2017. During the year, the Library contributed the annual required contribution and an additional \$250,000 to the plan.

Net Pension Liability

The net pension liability reported at March 31, 2017 was determined using a measure of the total pension liability and the pension net position as of December 31, 2016. The December 31, 2016 total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2015	\$ 2,744,899	\$ 1,896,813	\$ 848,086
Service cost	57,769	-	57,769
Interest	217,414	-	217,414
Differences between expected and actual experience	(81,403)	-	(81,403)
Contributions - Employer	-	344,153	(344,153)
Net investment income	-	235,536	(235,536)
Benefit payments, including refunds	(112,211)	(112,211)	-
Administrative expenses	-	(4,591)	4,591
Net changes	81,569	462,887	(381,318)
Balance at December 31, 2016	<u>\$ 2,826,468</u>	<u>\$ 2,359,700</u>	<u>\$ 466,768</u>

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

For the year ended March 31, 2017, the Library recognized pension expense of \$165,810. At March 31, 2017, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 15,417	\$ (54,269)
Changes in assumptions	35,651	-
Net difference between projected and actual earnings on pension plan investments	53,884	-
Employer contributions to the plan subsequent to the measurement date	22,860	-
Total	<u>\$ 127,812</u>	<u>\$ (54,269)</u>

Redford Township District Library

Notes to Financial Statements March 31, 2017

Note 9 - Agent-defined Benefit Pension Plan (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date, \$22,860, which will impact the net pension liability in fiscal year 2018, rather than pension expense.

Years Ending March 31	Amount
2018	\$ 46,875
2019	(4,193)
2020	22,941
2021	(14,939)

Actuarial Assumptions - The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75% Net of pension plan investment expense, including inflation

Mortality rates were based on a 50 percent male - 50 percent female blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent, RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables.

Discount Rate - The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make 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.

Redford Township District Library

Notes to Financial Statements March 31, 2017

Note 9 - Agent-defined Benefit Pension Plan (Continued)

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2016, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-term Expected Real Rate of Return
Global equity	56 %	6.65 %
Global fixed income	19	1.76
Real assets	13	7.72
Diversifying strategies	12	5.50

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Library, calculated using the discount rate of 8.0 percent, as well as what the Library's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

	1 Percent Decrease (7.0%)	Current Discount Rate (8.0%)	1 Percent Increase (9.0%)
Net pension liability of the Library	\$ 774,213	\$ 466,768	\$ 203,536

Pension Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows or resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position has been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full-accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Redford Township District Library

Notes to Financial Statements March 31, 2017

Note 10 - Other Postemployment Benefits

The Library provides retiree healthcare benefits to all full-time employees hired before April 1, 2016 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 two retirees who qualify 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. The benefits are provided to employees based on board approval. 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 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.

Funding Progress - For the year ended March 31, 2017, the Library has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of March 31, 2016. 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)	\$ 417,118
Interest on the prior year's net OPEB obligation	60,703
Less adjustment to the annual required contribution	<u>(204,103)</u>
Annual OPEB cost	273,718
Less amounts contributed:	
Payments of current premiums	(23,810)
Advance funding	<u>(30,000)</u>
Increase in net OPEB obligation	219,908
OPEB obligation - Beginning of year	<u>1,517,567</u>
OPEB obligation - End of year	<u><u>\$ 1,737,475</u></u>

Redford Township District Library

Notes to Financial Statements March 31, 2017

Note 10 - Other Postemployment Benefits (Continued)

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	Employer Contributions		Net OPEB Obligation
				Percentage of ARC Contributed	Percentage OPEB Costs Contributed	
3/31/15	3/31/13	\$ 216,268	\$ 192,430	19.3 %	21.7 %	\$ 1,207,023
3/31/16	3/31/16	381,328	352,345	11.0	11.9	1,517,567
3/31/17	3/31/16	417,118	273,718	12.9	19.7	1,737,475

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
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
3/31/16	211,326	2,236,028	2,024,702	9.5	N/A	N/A

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 presented as required supplemental information presents multiyear 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, 2016 actuarial valuation, the entry age 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 8 percent initially and then graded down to 5 percent in 2022. The UAAL is being amortized on a level percent, closed basis. The remaining amortization period at March 31, 2017 was eight years.

Redford Township District Library

Notes to Financial Statements March 31, 2017

Note 11 - Reconciliation of the Library as a Whole and the Governmental 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 statements of net position and activities. This difference results primarily from the long-term economic focus of the statements of net position and 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	\$ 4,424,719
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	6,937,485
Property tax revenue not collected within 60 days of year end is recorded as a deferred inflow of resources in the funds	247,472
Bonds payable are not due and payable in the current period and are not reported in the funds	(3,415,000)
Accrued interest is not due and payable in the current period and is not reported in the funds	(27,086)
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	(150,907)
Net OPEB obligation does not present a claim on current financial resources. Therefore, it is not reported as a fund liability	(1,737,475)
Deferred outflows related to pensions are not a financial resource and are not reported in the funds	127,812
Deferred inflows related to pensions are not a financial resource and are not reported in the funds	(54,269)
Net pension liability is not due and payable in the current period and is not reported in the funds	(466,768)
Net Position of Governmental Activities	<u>\$ 5,885,983</u>

Redford Township District Library

Notes to Financial Statements March 31, 2017

Note 11 - Reconciliation of the Library as a Whole and the Governmental 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	\$ 148,135
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	147,900
Capital outlay	132,611
Depreciation expense	(375,976)
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	(3,782)
Repayment of bond principal is an expenditure in the fund financial statements, but not in the statement of activities	525,000
Change in accrued interest payable	3,282
Increase in the accrual for compensated absences is reported as an expenditure in the fund financial statements, but not in the statement of activities	(1,670)
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	(219,908)
Decrease in net pension liability 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	381,318
Change in deferred outflows related to pensions	(147,190)
Change in deferred inflows related to pensions	(54,269)
Change in Net Position of Governmental Activities	<u>\$ 535,451</u>

Redford Township District Library

Notes to Financial Statements March 31, 2017

Note 12 - Tax Abatements

The Library receives reduced property tax revenue as a result of tax abatement agreements granted by the Charter Township of Redford (the "Township"). The tax abatement agreements include the following:

The Township uses the Industrial Facilities Tax exemption (PA 198 of 1974) to enter into agreements with local businesses to construct new industrial facilities or rehabilitate historical facilities. Under the program, the Township grants reductions of 50 percent of the property tax bill for new property (or it can freeze taxable values for rehabilitation properties) for up to 12 years. For the fiscal year ended March 31, 2017, the Library's property tax revenue was reduced by approximately \$90,000 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

Additionally, the Brownfield Redevelopment Authority, a discretely presented component unit of the Township, uses Brownfield Redevelopment Agreements under PA 381 of 1996 to reimburse taxpayers that remediate environmental contamination on their properties. As a result of these agreements, the Brownfield's tax revenue is reduced. For the fiscal year ended March 31, 2017, the Library's property tax revenue was reduced by approximately \$111,000 of taxes under this program. There are no provisions to recapture taxes.

There are no abatements entered into by the Library itself.

Note 13 - Upcoming Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Library to recognize on the face of the financial statements its net OPEB liability related to its participation in the Retiree Medical Plan. 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 the Library's financial statements for the year ending March 31, 2019.

Required Supplemental Information

Redford Township District Library

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes	\$ 1,614,410	\$ 1,920,000	\$ 1,800,565	\$ (119,435)
Penal fines	40,000	36,000	36,615	615
State aid	28,000	32,000	32,897	897
Fines/Fees	43,000	40,000	41,908	1,908
Investment earnings	-	11,000	13,108	2,108
Miscellaneous	79,900	76,480	93,495	17,015
State sources	-	-	129,252	129,252
Total revenue	1,805,310	2,115,480	2,147,840	32,360
Expenditures/Expenses				
Personnel	1,110,036	1,344,638	1,322,356	22,282
Contractual services and books	322,672	326,500	306,585	19,915
Operating costs	321,380	327,342	293,422	33,920
Capital outlay	148,500	127,000	133,598	(6,598)
Total expenditures/expenses	1,902,588	2,125,480	2,055,961	69,519
Excess of Revenue (Under) Over Expenditures	(97,278)	(10,000)	91,879	101,879
Fund Balance - Beginning of year	3,516,844	3,516,844	3,516,844	-
Fund Balance - End of year	<u>\$ 3,419,566</u>	<u>\$ 3,506,844</u>	<u>\$ 3,608,723</u>	<u>\$ 101,879</u>

Redford Township District Library

Required Supplemental Information OPEB System Schedule Year Ended March 31, 2017

The schedule of funding progress 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
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
3/31/16	211,326	2,236,028	2,024,702	9.5	N/A	N/A

Redford Township District Library

Required Supplemental Information Schedule of Changes in the Library Net Pension Liability and Related Ratios Years Ended March 31, 2017 and 2016

	2017	2016
Total Pension Liability		
Service cost	\$ 57,769	\$ 63,749
Interest	217,414	199,329
Differences between expected and actual experience	(81,403)	46,251
Changes in assumptions	-	106,954
Benefit payments, including refunds	(112,211)	(111,227)
Net Change in Total Pension Liability	81,569	305,056
Total Pension Liability - Beginning of year	2,744,899	2,439,843
Total Pension Liability - End of year	\$ 2,826,468	\$ 2,744,899
Plan Fiduciary Net Position		
Contributions - Employer	\$ 344,153	\$ 91,902
Net investment income (loss)	235,536	(29,507)
Administrative expenses	(4,591)	(4,286)
Benefit payments, including refunds	(112,211)	(111,227)
Net Change in Plan Fiduciary Net Position	462,887	(53,118)
Plan Fiduciary Net Position - Beginning of year	1,896,813	1,949,931
Plan Fiduciary Net Position - End of year	\$ 2,359,700	\$ 1,896,813
Library's Net Pension Liability - Ending	\$ 466,768	\$ 848,086
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	83.49 %	69.10 %
Covered Employee Payroll	\$ 472,358	\$ 506,347
Library's Net Pension Liability as a Percentage of Covered Employee Payroll	98.8 %	167.5 %

August 14, 2017

To the Board of Trustees
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, 2017 and have issued our report thereon dated August 14, 2017. 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 III - Legislative and Information Items

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 trustees of the Library.

Section III presents legislative and informational items that potentially could have an effect on the 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 trustees 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



Justin M. Kolbow

Section I - Internal Control Related Matters Identified in an Audit

In planning and performing our audit of the financial statements of Redford Township District Library as of and for the year ended March 31, 2017, 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 as follows: an adjustment to record accounts receivable and deferred inflows of resources related to property taxes, recording long-term debt and capital asset activity, recording other postemployment benefits, and net pension liability activity. If journal entries are not posted, this could lead to inaccurate financial reporting during the year.
- The goal of a strong internal control system includes both preventive and detective controls. Preventive controls serve to mitigate the risk that errors or irregularities occur. Detective controls are designed to find errors or irregularities after they have occurred. As it relates to the Library's investments, it is important to have both strong detective as well as strong preventive controls. The Library has gone to great lengths to ensure that appropriate detective controls exist such that, should an error occur, it would be detected on a timely basis. There are some cash and investment accounts, however, that do not have strong preventive controls. During the audit, we noted that electronic transfers of cash and investment can be made by one individual without any additional approvals. The lack of further preventive controls leaves the Library exposed to potential malfeasance. We encourage the Library to work closely with its banking relationships to add preventive controls to ensure safekeeping of these assets.

Section II - Required Communications with Those Charged with Governance

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 19, 2017, 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 letter about planning matters dated June 27, 2017.

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 the Library are described in Note 1 to the financial statements.

Accounting Changes

As described in Note 12, the Library adopted GASB Statement No. 77, *Tax Abatement Disclosures*. Adopting this statement required disclosures regarding tax abatement incentives provided by Redford Township. The Library also adopted GASB Statement No. 72, *Fair Value Measurement* and GASB Statement No. 79, *Certain External Investment Pools*, but they did not have an impact on the Library.

We noted no transactions entered into by the Library during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 include the liability and expense associated with pension benefits and the liability associated with other postemployment benefits (OPEB) funding. We evaluated the key factors and assumptions used to develop the liability and annual required contribution in determining that they are reasonable in relation to the financial statements taken as a whole.

Section II - Required Communications with Those Charged with Governance (Continued)

Management's estimate of the pension liability and expense is based on discount rates, rate of return, and other assumptions, which are used by an actuary to calculate the total pension liability. While the actuary uses assumptions to calculate the total pension liability, it is management's responsibility to assess whether the assumptions made are reasonable. 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.

Management's estimate of the long-term cost of retiree health care is based on an actuarial valuation in accordance with GASB Statement No. 45. 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 are Note 9 - Agent-defined Benefit Pension Plan and Note 10 - Other 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.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Library, and business plans and strategies that may affect the risks of material misstatement with management each year prior to our retention as the Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 14, 2017.

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.

Section III - Legislative and Informational Items

New Other Postemployment Benefits Standards

In June 2015, the GASB issued a new standard addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees.

Along with the currently required statements of fiduciary net position and changes in fiduciary net position, OPEB plans will now be required to include in the financial statements more extensive note disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the Library, after adoption of GASB Statement No. 75, will recognize on the face of the financial statements its net OPEB liability. The Library is currently evaluating the impact this standard will have on the financial statements when adopted. GASB Statement No. 75 is effective for the Library's financial statements for the year ending March 31, 2019.