Redford Township District Library

Financial Report
with Supplemental Information
March 31, 2018

Contents

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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, 2018 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.

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, 2018 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.

To the Board of Trustees
Redford Township District Library

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 9, 2018

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, 2018. 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 the reader 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, 2018 and 2017:

	March 31	
	2018	2017
Assets		
Current assets	$ 5,225,184	$ 4,729,859
Capital assets	6,782,497	6,937,485
Total assets	12,007,681	11,667,344
Deferred Outflows of Resources	20,778	127,812
Liabilities		
Current liabilities	688,856	643,716
Long-term liabilities	4,706,557	5,211,188
Total liabilities	5,395,413	5,854,904
Deferred Inflows of Resources	117,201	54,269
Net position		
Net investment in capital assets	3,897,497	3,522,485
Restricted - Debt service	875,862	863,390
Unrestricted	1,742,486	1,500,108
Total net position	**$ 6,515,845**	**$ 5,885,983**

The Library's combined net position increased approximately 10.7 percent from a year ago, increasing from approximately $5.9 million to $6.5 million.

Library's Changes in Net Position

The following table shows the change in net position during the fiscal years ended March 31, 2018 and 2017:

	Year Ended March 31	
	2018	2017
Revenue		
Tax levy	$ 2,332,295	$ 2,409,294
Penal fines	43,065	36,615
Intergovernmental:		
State aid	31,633	32,897
Other state sources	302,394	163,883
Book fines/fees	39,147	41,908
Investment earnings	17,869	16,167
Miscellaneous	118,277	93,495
Total revenue	2,884,680	2,794,259
Expenditures		
Personnel	1,323,179	1,366,694
Contractual services and books	171,190	158,685
Operating costs	310,083	290,803
Capital outlay	4,700	987
Depreciation	387,945	375,976
Debt service	57,721	65,663
Total expenditures	2,254,818	2,258,808
Change in Net Position	**$ 629,862**	**$ 535,451**

The Library’s total revenue increased by approximately $90,000 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.

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 2018 consisted of the General Fund and the Debt Service Fund.

General Fund Budgetary Highlights

Over the course of the year, the Library amended the budget to account for additional expenses associated with operating a café within the Library and other minor adjustments.

Capital Assets and Debt Administration

During the year, the Library purchased equipment, furniture, 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 $2,885,000 on March 31, 2018.

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 a new strategic plan and capital improvements to ensure the Library remains a welcoming location for local residents. In addition, the Library plans to move forward with Phase II of its LED lighting conversion, which will help lower future operating costs.

Requests for Further Information

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

Statement of Net Position/Governmental Funds Balance Sheet

March 31, 2018

	Individual Library Funds				
	General Fund	Debt Service Fund	Total Modified Accrual Basis	GASB Statement No. 34 Adjustments (Note 11)	Statement of Net Position Full Accrual Basis
Assets					
Cash and investments	$ 4,192,636	$ 794,569	$ 4,987,205	$ -	$ 4,987,205
Receivables:					
Property taxes receivable	194,381	41,485	235,866	-	235,866
Accrued interest receivable	2,113	-	2,113	-	2,113
Due from other funds (Note 4)	-	39,808	39,808	(39,808)	-
Capital assets: (Note 5)					
Assets not subject to depreciation	-	-	-	325,000	325,000
Assets subject to depreciation - Net	-	-	-	6,457,497	6,457,497
Total assets	4,389,130	875,862	5,264,992	6,742,689	12,007,681
Deferred Outflows of Resources - Deferred outflows related to pensions (Note 9)	-	-	-	20,778	20,778
Total assets and deferred outflows of resources	**$ 4,389,130**	**$ 875,862**	**$ 5,264,992**	6,763,467	12,028,459
Liabilities					
Accounts payable	$ 39,512	$ -	$ 39,512	-	39,512
Due to other governmental units	38,791	-	38,791	-	38,791
Due to other funds (Note 4)	39,808	-	39,808	(39,808)	-
Accrued liabilities and other	14,096	-	14,096	23,774	37,870
Noncurrent liabilities: (Note 6)					
Due within one year:					
Compensated absences	-	-	-	27,683	27,683
Current portion of long-term debt	-	-	-	545,000	545,000
Due in more than one year:					
Compensated absences	-	-	-	98,866	98,866
Net OPEB liability (Note 10)	-	-	-	1,946,845	1,946,845
Net pension liability (Note 9)	-	-	-	320,846	320,846
Long-term debt	-	-	-	2,340,000	2,340,000
Total liabilities	132,207	-	132,207	5,263,206	5,395,413
Deferred Inflows of Resources					
Unavailable revenue	194,381	41,485	235,866	(235,866)	-
Deferred inflows related to pensions (Note 9)	-	-	-	117,201	117,201
Total deferred inflows of resources	194,381	41,485	235,866	(118,665)	117,201
Equity					
Fund balance: (Note 7)					
Restricted	-	834,377	834,377	(834,377)	-
Assigned	3,900,000	-	3,900,000	(3,900,000)	-
Unassigned	162,542	-	162,542	(162,542)	-
Total fund balance	4,062,542	834,377	4,896,919	(4,896,919)	-
Total liabilities, deferred inflows of resources, and fund balance	**$ 4,389,130**	**$ 875,862**	**$ 5,264,992**		
Net position:					
Net investment in capital assets				3,897,497	3,897,497
Restricted - Debt service				875,862	875,862
Unrestricted				1,742,486	1,742,486
Total net position				**$ 6,515,845**	**$ 6,515,845**

See notes to financial statements.

Redford Township District Library

Statement of Activities/Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended March 31, 2018

	Modified Accrual Basis				
	General Fund	Debt Service Fund	Total Modified Accrual Basis	GASB Statement No. 34 Adjustments (Note 11)	Statement of Activities Full Accrual Basis
Revenue					
Tax levy	$ 1,797,139	$ 546,762	$ 2,343,901	$ (11,606)	$ 2,332,295
Penal fines	43,065	-	43,065	-	43,065
Intergovernmental:					
State aid	31,633	-	31,633	-	31,633
Other state sources	240,037	62,357	302,394	-	302,394
Book fines/fees	39,147	-	39,147	-	39,147
Investment earnings	17,574	295	17,869	-	17,869
Miscellaneous	118,277	-	118,277	-	118,277
Total revenue	2,286,872	609,414	2,896,286	(11,606)	2,884,680
Expenditures					
Personnel	1,114,123	-	1,114,123	209,056	1,323,179
Contractual services and books	316,340	-	316,340	(145,150)	171,190
Operating costs	310,083	-	310,083	-	310,083
Capital outlay	92,507	-	92,507	(87,807)	4,700
Depreciation	-	-	-	387,945	387,945
Debt service	-	591,033	591,033	(533,312)	57,721
Total expenditures	1,833,053	591,033	2,424,086	(169,268)	2,254,818
Net Change in Fund Balances/Net Position	453,819	18,381	472,200	157,662	629,862
Fund Balances/Net Position - Beginning of year	3,608,723	815,996	4,424,719	1,461,264	5,885,983
Fund Balances/Net Position - End of year	**$ 4,062,542**	**$ 834,377**	**$ 4,896,919**	**$ 1,618,926**	**$ 6,515,845**

Note 1 - Significant Accounting Policies

Redford Township District Library (the "Library") is located in Redford Township, Michigan. The Library is funded primarily though 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

The 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Accounting

The Library accounts for its various activities in the General Fund and Debt Service Fund in order to demonstrate accountability for how it spends certain resources; separate funds allow the Library to show the particular expenditures for which specific revenue is used. The Library reports the following funds 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.
- 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 Library has spent its resources.

Note 1 - Significant Accounting Policies (Continued)

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 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 are stated at fair value.

Capital Assets

Capital assets, which include property, furniture and equipment, library books, and videos, are reported in the applicable 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 estimated acquisition value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Capital Asset Class	Depreciable Life - Years
Buildings	50
Furniture and equipment	5 - 15
Library books and AV materials	2 - 10

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable 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 and premiums as an “other financing source” and bond discounts as "other financing uses." 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 future periods and 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.

Note 1 - Significant Accounting Policies (Continued)

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 future periods and 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

The Library will sometimes 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 and proprietary fund financial statements (as applicable), 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.

Fund Balance Flow Assumptions

The Library will sometimes 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 Library's highest level of decision-making authority. The board of trustees is the highest level of decision-making authority for the Library 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 of trustees 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.

Note 1 - 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 2018 property tax revenue was levied and collectible on December 1, 2017 and is recognized as revenue in the year ended March 31, 2018 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2017 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 operating purposes and 0.6600 mills for debt service. This resulted in approximately $1,800,000 for operating and approximately $547,000 for debt service. 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 purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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 (including refunds of employee contributions) 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.

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.

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 1 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncement

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.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary 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. Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund. All annual appropriations lapse at fiscal year end. The budget document presents information by fund, and function). The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. There were no significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g. purchase orders or contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. During the year, the Library did not have expenditure budget variances.

Note 3 - Deposits and Investments

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

	Governmental Activities
Cash	$ 3,141,478
Investments - Certificates of deposit	1,845,727
Total cash and investments	$ 4,987,205

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 law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; 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.

Note 3 - Deposits and Investments (Continued)

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 investments 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 $2,652,497 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, 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 1 Year	1-5 Years	More Than 5 Years
Certificates of deposit	$ 845,722	$ 921,106	$ 78,899

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 March 31, 2018, 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	$ 1,845,727	Not rated	N/A

Note 4 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances at March 31, 2018 is as follows:

Receivable Fund	Payable Fund	Amount
Debt Service Fund	General Fund	$ 39,808

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's governmental activities was as follows:

Governmental Activities

	Balance April 1, 2017	Additions	Disposals	Balance March 31, 2018
Capital assets not being depreciated - Land	$ 325,000	$ -	$ -	$ 325,000
Capital assets being depreciated:				
Building	7,877,026	-	-	7,877,026
Furniture and equipment	1,361,911	87,807	-	1,449,718
Library books and audiovisual materials	4,242,026	145,150	(328,041)	4,059,135
Subtotal	13,480,963	232,957	(328,041)	13,385,879
Accumulated depreciation:				
Building	2,046,951	157,541	-	2,204,492
Furniture and equipment	1,020,270	99,639	-	1,119,909
Library books and audiovisual materials	3,801,257	130,765	(328,041)	3,603,981
Subtotal	6,868,478	387,945	(328,041)	6,928,382
Net capital assets being depreciated	6,612,485	(154,988)	-	6,457,497
Net governmental activities capital assets	$ 6,937,485	$ (154,988)	$ -	$ 6,782,497

Note 6 - Long-term Debt

The Library issued bonds to provide for the acquisition and construction of a library facility. Long-term debt activity for the year ended March 31, 2018 can be summarized as follows:

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2012 Library Refunding Bonds (unlimited tax general obligation) original issue of $5,425,000 maturing through 2022	1.5% - 2.25%	$545,000 - $610,000	$ 3,415,000	$ -	$ (530,000)	$ 2,885,000	$ 545,000
Other long-term liabilities - Compensated absences		N/A	150,907	4,604	(28,962)	126,549	27,683
Total governmental activities long-term debt			$ 3,565,907	$ 4,604	$ (558,962)	$ 3,011,549	$ 572,683

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.

Note 6 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

The annual requirements to service all debt outstanding as of March 31, 2018 (excluding compensated absences), including principal and interest, are as follows:

Years Ending March 31	Principal	Interest	Total
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	$ 2,885,000	$ 153,514	$ 3,038,514

Note 7 - Fund Balance Constraints

The detail of the various components of fund balance is as follows:

	General Fund	Debt Service Fund	Total
Restricted for debt service	$ -	$ 834,377	$ 834,377
Assigned:			
Property tax float	1,400,000	-	1,400,000
Capital improvements and replacements	1,000,000	-	1,000,000
Library construction - Second floor	1,500,000	-	1,500,000
Total assigned	3,900,000	-	3,900,000
Unassigned	162,542	-	162,542
Total fund balance	$ 4,062,542	$ 834,377	$ 4,896,919

The property tax float assignment represents approximately 75 percent of the taxes levied in December 2017 to fund library operations from January 2018 to December 2018 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 that 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.

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. Non-duty 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, 2017 measurement date, the following members were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	7
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	8
Total employees covered by the plan	18

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.

The annual required contribution was $83,806 for the fiscal year ended March 31, 2018. During the year, the Library contributed the annual required contribution.

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

Net Pension Liability

The Library has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The March 31, 2018 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2017 measurement date. The December 31, 2017 measurement date 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:

	Increase (Decrease)		
Changes in Net Pension Liability	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2016	$ 2,826,468	$ 2,359,700	$ 466,768
Changes for the year:			
Service cost	54,401	-	54,401
Interest	223,529	-	223,529
Differences between expected and actual experience	(30,758)	-	(30,758)
Contributions - Employer	-	85,194	(85,194)
Net investment income	-	312,850	(312,850)
Benefit payments, including refunds	(119,140)	(119,140)	-
Administrative expenses	-	(4,950)	4,950
Net changes	128,032	273,954	(145,922)
Balance at December 31, 2017	$ 2,954,500	$ 2,633,654	$ 320,846

The plan's fiduciary net position represents 89.14 percent of the total pension liability.

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

For the year ended March 31, 2018, the Library recognized pension expense of $107,156. At March 31, 2018, 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	$ -	$ 47,640
Net difference between projected and actual earnings on pension plan investments	-	69,561
Employer contributions to the plan subsequent to the measurement date	20,778	-
Total	$ 20,778	$ 117,201

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, $20,778, which will impact the net pension liability in fiscal year 2018, rather than pension expense.

Years Ending March 31	Amount
2019	$ (39,572)
2020	(12,438)
2021	(40,065)
2022	(25,126)

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3.75 percent, and an investment rate of return (net of investment expenses) of 7.75 percent. 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 assumed that employee contributions will be made at the current contribution rate and that Library contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

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.

Investment Rate of Return

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, 2017, the measurement date, for each major asset class, are summarized in the following tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	55.50 %	8.65 %
Global fixed income	18.50	3.76
Real assets	13.50	9.72
Diversifying strategies	12.50	7.50

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

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

The following presents the net pension liability of the 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 or 1 percentage point higher 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	$ 635,552	$ 320,846	$ 51,010

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 of resources related to pension, and pension expense, information about the plan’s fiduciary net position and additions to/deductions from fiduciary net position have 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.

Note 10 - Other Postemployment Benefits

Plan Description

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 fiscal year ended March 31, 2018, 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.

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.

Note 10 - Other Postemployment Benefits (Continued)

Funding Progress

For the year ended March 31, 2018, 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 costs 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)	$ 458,104
Interest on the prior year's net OPEB obligation	69,499
Less adjustment to the annual required contribution	(258,063)
Annual OPEB cost	269,540
Amounts contributed:	
Payment of current premiums	(30,170)
Advance funding	(30,000)
Increase in net OPEB obligation	209,370
OPEB obligation - Beginning of year	1,737,475
OPEB obligation - End of year	$ 1,946,845

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: Percentage of ARC Contributed	Employer Contributions: Percentage OPEB Costs Contributed	Net OPEB Obligation
March 31, 2016	March 31, 2016	$ 381,328	$ 352,345	11.00 %	11.90 %	$ 1,517,567
March 31, 2017	March 31, 2016	417,118	273,718	12.90	19.70	1,737,475
March 31, 2018	March 31, 2016	458,104	269,540	13.13	22.32	1,946,845

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
March 31, 2010	$ -	$ 3,253,746	$ 3,253,746	- %	$ 508,569	639.78 %
March 31, 2013	103,757	1,811,613	1,707,856	5.73	442,963	385.55
March 31, 2016	211,326	2,236,028	2,024,702	9.45	-	-

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 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.

Note 10 - Other Postemployment Benefits (Continued)

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 reduced by decrements to an ultimate rate of 5 percent after in 2022. The UAAL is being amortized on a level percent, closed basis. The remaining amortization period at March 31, 2018 was seven years.

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 Balances Reported in Governmental Funds	$ 4,896,919
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	6,782,497
Property tax revenue not collected within 60 days of year end is recorded as a deferred inflow of resources in the funds	235,866
Bonds payable are not due and payable in the current period and are not reported in the funds	(2,885,000)
Accrued interest is not due and payable in the current period and is not reported in the funds	(23,774)
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	(126,549)
Net OPEB obligation does not present a claim on current financial resources. Therefore, it is not reported as a fund liability	(1,946,845)
Deferred outflows related to pensions are not a financial resource and are not reported in the funds	20,778
Deferred inflows related to pensions are not a financial resource and are not reported in the funds	(117,201)
Net pension liability is not due and payable in the current period and is not reported in the funds	(320,846)
Net Position of Governmental Activities	$ 6,515,845

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 measurements focus and basis of accounting, as discussed in Note 1. Below is a reconciliation of the differences:

Net Change in Fund Balance Reported in Governmental Funds	$ 472,200
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	145,150
Capital outlay	87,807
Depreciation expense	(387,945)
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	(11,606)
Repayment of bond principal is an expenditure in the fund financial statements, but not in the statement of activities	530,000
Change in accrued interest payable	3,312
Decrease in the accrual for compensated absences is reported as revenue in the fund financial statements, but not in the statement of activities	24,358
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	(209,370)
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	145,922
Change in deferred outflows related to pensions	(107,034)
Change in deferred inflows related to pensions	(62,932)
Change in Net Position of Governmental Activities	$ 629,862

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, 2018, 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, 2018, the Library's property tax revenue was reduced by approximately $110,000 of taxes under this program. There are no provisions to recapture taxes. There are no abatements entered into by the Library itself.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule - General Fund

Year Ended March 31, 2018

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Tax levy	$ 1,672,584	$ 1,800,000	$ 1,797,139	$ (2,861)
Penal fines	35,000	43,065	43,065	-
Intergovernmental:				
State aid	32,000	31,633	31,633	-
Other state sources	-	176,000	240,037	64,037
Book fines/fees	35,000	35,000	39,147	4,147
Investment earnings	-	12,000	17,574	5,574
Miscellaneous	117,700	108,700	118,277	9,577
Total revenue	1,892,284	2,206,398	2,286,872	80,474
Expenditures				
Personnel	1,122,706	1,137,676	1,114,123	23,553
Contractual services and books	325,750	325,750	316,340	9,410
Operating costs	367,727	368,832	310,083	58,749
Capital outlay	133,700	158,500	92,507	65,993
Total expenditures	1,949,883	1,990,758	1,833,053	157,705
Excess of Revenue (Under) Over Expenditures	(57,599)	215,640	453,819	238,179
Fund Balance - Beginning of year	3,608,723	3,608,723	3,608,723	-
Fund Balance - End of year	**$ 3,551,124**	**$ 3,824,363**	**$ 4,062,542**	**$ 238,179**

Required Supplemental Information
Schedule of OPEB Funding Progress

Year Ended March 31, 2018

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
March 31, 2010	$ -	$ 3,253,746	$ 3,253,746	- %	$ 508,569	639.78 %
March 31, 2013	103,757	1,811,613	1,707,856	5.73	442,963	385.55
March 31, 2016	211,326	2,236,028	2,024,702	9.45	-	-

Required Supplemental Information
Schedule of Changes in the Library's Net Pension Liability and Related Ratios

Last Three Fiscal Years

	2018	2017	2016
Total Pension Liability			
Service cost	$ 54,401	$ 57,769	$ 63,749
Interest	223,529	217,414	199,329
Differences between expected and actual experience	(30,758)	(81,403)	46,251
Changes in assumptions	-	-	106,954
Benefit payments, including refunds	(119,140)	(112,211)	(111,227)
Net Change in Total Pension Liability	128,032	81,569	305,056
Total Pension Liability - Beginning of year	2,826,468	2,744,899	2,439,843
Total Pension Liability - End of year	**$ 2,954,500**	**$ 2,826,468**	**$ 2,744,899**
Plan Fiduciary Net Position			
Contributions - Employer	$ 85,194	$ 344,153	$ 91,902
Net investment income (loss)	312,850	235,536	(29,507)
Administrative expenses	(4,950)	(4,591)	(4,286)
Benefit payments, including refunds	(119,140)	(112,211)	(111,227)
Net Change in Plan Fiduciary Net Position	273,954	462,887	(53,118)
Plan Fiduciary Net Position - Beginning of year	2,359,700	1,896,813	1,949,931
Plan Fiduciary Net Position - End of year	**$ 2,633,654**	**$ 2,359,700**	**$ 1,896,813**
Library's Net Pension Liability - Ending	**$ 320,846**	**$ 466,768**	**$ 848,086**
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	89.14 %	83.49 %	69.10 %
Covered Employee Payroll	$ 456,381	$ 472,358	$ 506,347
Library's Net Pension Liability as a Percentage of Covered Employee Payroll	70.30 %	98.82 %	167.49 %

Required Supplemental Information
Schedule of Library Contributions

Last Ten Fiscal Years

Year Ended March 31

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	$ 83,806	$ 95,860	$ 92,526	$ 85,834	$ 82,764	$ 76,686	$ 76,000	$ 78,000	$ 74,000	$ 78,000
Contributions in relation to the actuarially determined contribution	83,806	345,860	92,526	85,834	82,764	76,686	76,000	78,000	74,000	78,000
Contribution Excess	**$ -**	**$ 250,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Covered Employee Payroll	$ 456,381	$ 472,358	$ 506,347	$ 494,481	$ 492,949	$ 492,334	$ 514,310	$ 535,564	$ 508,569	$ 555,443
Contributions as a Percentage of Covered Employee Payroll	18.36 %	73.22 %	18.27 %	17.36 %	16.79 %	15.58 %	14.78 %	14.56 %	14.55 %	14.04 %

Notes to Schedule of Library Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarial determined contribution rates are calculated as of December 31 each year, which is 15 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	21 years
Asset valuation method	Five-year smoothed market
Inflation	2.5 percent
Salary increase	3.75 percent, including inflation
Investment rate of return	7.75 percent
Retirement age	60 years
Mortality	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
Other information	None

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August 9, 2018

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, 2018 and have issued our report thereon dated August 9, 2018. 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 trustees of 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, 2018, 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. 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 and 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 June 28, 2018, 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 28, 2018.

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.

No new accounting policies were adopted, and the application of existing policies was not changed during the year ended March 31, 2018.

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.

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 to 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.

The following material misstatement detected as a result of audit procedures were corrected by management.

- Property tax revenue allocation between the General Fund and the Debt Service Fund.

In addition, the Library had an uncorrected misstatement of the financial statements related to prepaid assets for $8,903. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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.

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 9, 2018.

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.