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# Redford Township District Library

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**Financial Report  
with Supplemental Information  
March 31, 2019**

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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, 2019 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, 2019 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Emphasis of Matter***

As discussed in Note 14 to the financial statements, in 2019, the Library adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which established accounting and financial reporting standards for defined benefit OPEB plans provided to the employees of governmental employers. Our opinion is not modified with respect to this matter.

To the Board of Trustees  
Redford Township District Library

**Other Matter**

*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, 2019

# 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, 2019. 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.

### The Library's Net Position

The following table shows, in a condensed format, the Library's net position as of March 31, 2019 and 2018:

	2019	2018
<b>Assets</b>		
Current assets	\$ 5,399,384	\$ 5,225,184
Capital assets	6,742,974	6,782,497
Total assets	12,142,358	12,007,681
<b>Deferred Outflows of Resources</b>	222,547	20,778
<b>Liabilities</b>		
Current liabilities	724,507	688,856
Noncurrent liabilities	3,554,880	3,968,600
Total liabilities	4,279,387	4,657,456
<b>Deferred Inflows of Resources</b>	231,454	117,201
<b>Net Position</b>		
Net investment in capital assets	4,402,974	3,897,497
Restricted - Debt service	865,140	875,862
Unrestricted	2,585,950	2,480,443
Total net position	<u>\$ 7,854,064</u>	<u>\$ 7,253,802</u>

The Library's net position increased approximately 8.3 percent from a year ago, increasing from approximately \$7.3 million to \$7.9 million. The increase in net position is a result of the Library paying \$545,000 of long-term debt during the year.

# Redford Township District Library

## Management's Discussion and Analysis (Continued)

### The Library's Changes in Net Position

The following table shows the change in net position during the fiscal years ended March 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
<b>Revenue</b>		
Tax levy	\$ 2,342,666	\$ 2,332,295
Penal fines	29,230	43,065
Intergovernmental:		
State aid	35,465	31,633
Other state sources	179,242	302,394
Book fines/fees	36,158	39,147
Investment earnings	45,351	17,869
Miscellaneous	139,280	118,277
	<u>2,807,392</u>	<u>2,884,680</u>
Total revenue		
<b>Expenditures</b>		
Personnel	1,228,232	1,323,179
Contractual services and books	196,783	171,190
Operating costs	322,860	310,083
Capital outlay	-	4,700
Depreciation	410,940	387,945
Debt service	48,315	57,721
	<u>2,207,130</u>	<u>2,254,818</u>
Total expenditures		
<b>Change in Net Position</b>	600,262	629,862
<b>Net Position - Beginning of year, as restated (Note 14)</b>	<u>7,253,802</u>	<u>6,623,940</u>
<b>Net Position - End of year</b>	<u><u>\$ 7,854,064</u></u>	<u><u>\$ 7,253,802</u></u>

The Library's total revenue decreased by approximately \$80,000 in the current year primarily as a result of a decrease in the amount distributed 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 2019 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.

## **Redford Township District Library**

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### **Management's Discussion and Analysis (Continued)**

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#### **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 \$2,340,000 on March 31, 2019.

#### **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 library website and capital improvements to ensure the Library remains a welcoming location for local residents both digitally and physically. In addition, the Library plans to take the first steps in evaluating options to complete the second floor of the library.

#### **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.

# Redford Township District Library

## Statement of Net Position/Governmental Funds Balance Sheet

March 31, 2019

	Individual Library Funds			GASB Statement No. 34 Adjustments (Note 12)	Statement of Net Position Full Accrual Basis
	General Fund	Debt Service Fund	Total Modified Accrual Basis		
<b>Assets</b>					
Cash and investments	\$ 4,327,205	\$ 833,690	\$ 5,160,895	\$ -	\$ 5,160,895
Receivables:					
Property taxes receivable	190,361	39,739	230,100	-	230,100
Accrued interest receivable	8,389	-	8,389	-	8,389
Due from other funds (Note 4)	-	2,712	2,712	(2,712)	-
Capital assets: (Note 5)					
Assets not subject to depreciation	-	-	-	325,000	325,000
Assets subject to depreciation - Net	-	-	-	6,417,974	6,417,974
Total assets	4,525,955	876,141	5,402,096	6,740,262	12,142,358
<b>Deferred Outflows of Resources</b>					
Deferred outflows related to pensions (Note 9)	-	-	-	204,363	204,363
Deferred outflows related to OPEB (Note 10)	-	-	-	18,184	18,184
Total deferred outflows of resources	-	-	-	222,547	222,547
Total assets and deferred outflows of resources	<u>\$ 4,525,955</u>	<u>\$ 876,141</u>	<u>\$ 5,402,096</u>	6,962,809	12,364,905
<b>Liabilities</b>					
Accounts payable	\$ 54,034	\$ -	\$ 54,034	-	54,034
Due to other funds (Note 4)	2,712	-	2,712	(2,712)	-
Accrued liabilities and other	17,198	-	17,198	19,800	36,998
Provision for property tax refunds	38,710	11,001	49,711	-	49,711
Noncurrent liabilities: (Note 6)					
Due within one year:					
Compensated absences	-	-	-	23,764	23,764
Current portion of long-term debt	-	-	-	560,000	560,000
Due in more than one year:					
Compensated absences	-	-	-	95,529	95,529
Net pension liability (Note 9)	-	-	-	640,914	640,914
Net OPEB liability (Note 10)	-	-	-	1,038,437	1,038,437
Long-term debt	-	-	-	1,780,000	1,780,000
Total liabilities	112,654	11,001	123,655	4,155,732	4,279,387
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	190,361	39,739	230,100	(230,100)	-
Deferred inflows related to pensions (Note 9)	-	-	-	10,253	10,253
Deferred inflows related to OPEB (Note 10)	-	-	-	221,201	221,201
Total deferred inflows of resources	190,361	39,739	230,100	1,354	231,454
<b>Equity</b>					
Fund balances: (Note 7)					
Restricted	-	825,401	825,401	(825,401)	-
Assigned	3,975,000	-	3,975,000	(3,975,000)	-
Unassigned	247,940	-	247,940	(247,940)	-
Total fund balances	4,222,940	825,401	5,048,341	(5,048,341)	-
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,525,955</u>	<u>\$ 876,141</u>	<u>\$ 5,402,096</u>		
<b>Net position:</b>					
Net investment in capital assets				4,402,974	4,402,974
Restricted				865,140	865,140
Unrestricted				2,585,950	2,585,950
Total net position				<u>\$ 7,854,064</u>	<u>\$ 7,854,064</u>



# Redford Township District Library

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

Year Ended March 31, 2019

	Individual Library Funds			GASB Statement No. 34 Adjustments (Note 12)	Statement of Activities Full Accrual Basis
	General Fund	Debt Service Fund	Total Modified Accrual Basis		
<b>Revenue</b>					
Tax levy	\$ 1,806,817	\$ 541,615	\$ 2,348,432	\$ (5,766)	\$ 2,342,666
Penal fines	29,230	-	29,230	-	29,230
Intergovernmental:					
State aid	35,465	-	35,465	-	35,465
Other state sources	132,934	46,308	179,242	-	179,242
Book fines/fees	36,158	-	36,158	-	36,158
Investment earnings	44,961	390	45,351	-	45,351
Miscellaneous	139,280	-	139,280	-	139,280
Total revenue	2,224,845	588,313	2,813,158	(5,766)	2,807,392
<b>Expenditures</b>					
Personnel	1,173,387	-	1,173,387	54,845	1,228,232
Contractual services and books	347,731	-	347,731	(150,948)	196,783
Operating costs	322,860	-	322,860	-	322,860
Capital outlay	220,469	-	220,469	(220,469)	-
Depreciation	-	-	-	410,940	410,940
Debt service	-	597,289	597,289	(548,974)	48,315
Total expenditures	2,064,447	597,289	2,661,736	(454,606)	2,207,130
<b>Net Change in Fund Balances/Net Position</b>	160,398	(8,976)	151,422	448,840	600,262
<b>Fund Balances/Net Position</b> - Beginning of year, as restated (Note 14)	4,062,542	834,377	4,896,919	2,356,883	7,253,802
<b>Fund Balances/Net Position</b> - End of year	<u>\$ 4,222,940</u>	<u>\$ 825,401</u>	<u>\$ 5,048,341</u>	<u>\$ 2,805,723</u>	<u>\$ 7,854,064</u>

**Note 1 - 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***

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 "other financing sources" 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 two items that qualify for reporting in this category, deferred outflows of resources related to pensions and deferred outflows of resources related to OPEB.

**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 three items that qualify for reporting in this category: the deferred inflows of resources related to delinquent property taxes, deferred inflows of resources related to pensions, and deferred inflows of resources related to OPEB. Property taxes are shown as deferred inflows of resources on the governmental funds balance sheet.

**Net Position**

Net position of the Library is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

**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.

**Note 1 - Significant Accounting Policies (Continued)**

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.

***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 2019 property tax revenue was levied and collectible on December 1, 2018 and is recognized as revenue in the year ended March 31, 2019 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2018 taxable valuation of the Library totaled approximately \$820 million (a portion of which is captured by the Redford Township Brownfield), 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 \$542,000 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 records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net OPEB liability 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.

**Note 1 - 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.

**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.

**Upcoming Accounting Pronouncement**

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. 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, 2020.

**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:

	<u>Governmental Activities</u>
Cash	\$ 2,783,139
Investments - Certificates of deposit	<u>2,377,756</u>
Total cash and investments	<u>\$ 5,160,895</u>

March 31, 2019

**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 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 that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that 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 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 \$2,289,353 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	\$ 1,863,114	\$ 435,796	\$ 78,846

**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, 2019, 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	\$ 2,377,756	Not rated	N/A

**March 31, 2019**

**Note 4 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances at March 31, 2019 is as follows:

Receivable Fund	Payable Fund	Amount
Debt Service Fund	General Fund	\$ 2,712

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, 2018	Additions	Disposals	Balance March 31, 2019
Capital assets not being depreciated - Land	\$ 325,000	\$ -	\$ -	\$ 325,000
Capital assets being depreciated:				
Building	7,877,026	-	-	7,877,026
Furniture and equipment	1,449,718	220,469	-	1,670,187
Library books and audiovisual materials	4,059,135	150,948	(281,178)	3,928,905
Subtotal	13,385,879	371,417	(281,178)	13,476,118
Accumulated depreciation:				
Building	2,204,492	157,541	-	2,362,033
Furniture and equipment	1,119,909	117,778	-	1,237,687
Library books and audiovisual materials	3,603,981	135,621	(281,178)	3,458,424
Subtotal	6,928,382	410,940	(281,178)	7,058,144
Net capital assets being depreciated	6,457,497	(39,523)	-	6,417,974
Net governmental activities capital assets	\$ 6,782,497	\$ (39,523)	\$ -	\$ 6,742,974



March 31, 2019

**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, 2019 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%	\$560,000 - \$610,000	\$ 2,885,000	\$ -	\$ (545,000)	\$ 2,340,000	\$ 560,000
Other long-term liabilities - Compensated absences			126,549	20,427	(27,683)	119,293	23,764
Total governmental activities long- term debt			<u>\$ 3,011,549</u>	<u>\$ 20,427</u>	<u>\$ (572,683)</u>	<u>\$ 2,459,293</u>	<u>\$ 583,764</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 to Maturity**

The annual requirements to service all debt outstanding as of March 31, 2019 (excluding compensated absences), including principal and interest, are as follows:

Years Ending March 31	Principal	Interest	Total
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>\$ 2,340,000</u>	<u>\$ 101,225</u>	<u>\$ 2,441,225</u>

**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	\$ -	\$ 825,401	\$ 825,401
Assigned:			
Property tax float	1,425,000	-	1,425,000
Capital improvements and replacements	1,000,000	-	1,000,000
Library construction - Second floor	1,550,000	-	1,550,000
Total assigned	3,975,000	-	3,975,000
Unassigned	247,940	-	247,940
Total fund balance	<u>\$ 4,222,940</u>	<u>\$ 825,401</u>	<u>\$ 5,048,341</u>

The property tax float assignment represents approximately 75 percent of the taxes levied in December 2018 to fund library operations from January 2019 to December 2019 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](http://www.mersofmich.com) or in writing to MERS at 1134 Municipal Way, Lansing, MI 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.

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

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, 2018 measurement date, the following members were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	8
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	7
	7
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 \$72,648 for the fiscal year ended March 31, 2019. During the year, the Library contributed the annual required contribution.

**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, 2019 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, 2018 measurement date. The December 31, 2018 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

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

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
<b>Balance at December 31, 2017</b>	\$ 2,954,500	\$ 2,633,654	\$ 320,846
Changes for the year:			
Service cost	47,039	-	47,039
Interest	232,268	-	232,268
Differences between expected and actual experience	8,929	-	8,929
Contributions - Employer	-	75,265	(75,265)
Net investment loss	-	(102,005)	102,005
Benefit payments, including refunds	(149,317)	(149,317)	-
Administrative expenses	-	(5,092)	5,092
Net changes	138,919	(181,149)	320,068
<b>Balance at December 31, 2018</b>	<u>\$ 3,093,419</u>	<u>\$ 2,452,505</u>	<u>\$ 640,914</u>

The plan's fiduciary net position represents 79.3 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, 2019, the Library recognized pension expense of \$102,183. At March 31, 2019, 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	\$ 5,953	\$ 10,253
Net difference between projected and actual earnings on pension plan investments	180,248	-
Employer contributions to the plan subsequent to the measurement date	18,162	-
Total	<u>\$ 204,363</u>	<u>\$ 10,253</u>

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 of \$18,162 made to the plan subsequent to the measurement date, which will impact the net pension liability in fiscal year 2018, rather than pension expense.

Years Ending March 31	Amount
2020	\$ 52,445
2021	24,817
2022	36,780
2023	61,906
Total	<u>\$ 175,948</u>

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

**Actuarial Assumptions**

The total pension liability in the December 31, 2018 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 8.0 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 (after subtracting a 2.5 percent inflation assumption) as of the December 31, 2018 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	55.50 %	6.15 %
Global fixed income	18.50	1.26
Real assets	13.50	7.22
Diversifying strategies	12.50	5.00

**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	\$ 959,754	\$ 640,914	\$ 367,016

March 31, 2019

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

***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 Benefit Plan**

***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. This is a single-employer defined benefit plan administered by the Municipal Employees' Retirement System of Michigan (MERS). MERS issues a publicly available financial report that includes financial statements and required information for MERS. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

***Benefits Provided***

The plan provides medical, dental, and vision coverage benefits to eligible employees and their spouses. The benefits are provided to employees based on board approval. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan. As of April 1, 2016, the plan was closed to new entrants.

***Employees Covered by Benefit Terms***

At the March 31, 2019 measurement date, the following members were covered by the benefit terms:

Date of member count	March 31, 2019
Inactive plan members or beneficiaries currently receiving benefits	5
Active plan members	7
	<hr/>
Total plan members	<u>12</u>

***Contributions***

Retiree healthcare costs are paid by the Library on a "pay-as-you-go" basis and to make discretionary contributions to the retiree healthcare fund on an annual basis. The Library has no obligation to make contributions in advance of when the insurance premiums are due for payment. In the current year, the Library paid postemployment healthcare premiums of \$31,406, plus it contributed \$30,000 into a prefunded retiree healthcare fund. Employees are not required to contribute to the plan.

***Net OPEB Liability***

The Library has chosen to use the March 31 measurement date as its measurement date for the net OPEB liability. The March 31, 2019 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the March 31, 2019 measurement date. The March 31, 2019 measurement date total OPEB liability was determined by an actuarial valuation performed as of that date.

March 31, 2019

**Note 10 - Other Postemployment Benefit Plan (Continued)**

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
<b>Balance at April 1, 2018</b>	\$ 1,536,925	\$ 328,037	\$ 1,208,888
Changes for the year:			
Service cost	35,439	-	35,439
Interest	120,642	-	120,642
Differences between expected and actual experience	(229,936)	-	(229,936)
Changes in assumptions	(32,153)	-	(32,153)
Contributions to OPEB trust	-	30,000	(30,000)
Contributions/Benefit payments	-	31,406	(31,406)
Net investment income	-	3,824	(3,824)
Benefit payments, including refunds	(31,406)	(31,406)	-
Administrative expenses	-	(787)	787
<b>Net changes</b>	<b>(137,414)</b>	<b>33,037</b>	<b>(170,451)</b>
<b>Balance at March 31, 2019</b>	<b>\$ 1,399,511</b>	<b>\$ 361,074</b>	<b>\$ 1,038,437</b>

The plan's fiduciary net position represents 25.8 percent of the total OPEB liability.

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the year ended March 31, 2019, the Library recognized OPEB expense of \$93,972. At March 31, 2019, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 194,065
Changes in assumptions	-	27,136
Net difference between projected and actual earnings on OPEB plan investments	18,184	-
<b>Total</b>	<b>\$ 18,184</b>	<b>\$ 221,201</b>

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

Years Ending March 31	Amount
2020	\$ 36,341
2021	36,341
2022	36,341
2023	36,341
2024	40,888
Thereafter	16,765
<b>Total</b>	<b>\$ 203,017</b>

March 31, 2019

**Note 10 - Other Postemployment Benefit Plan (Continued)**

**Actuarial Assumptions**

The total OPEB liability in the March 31, 2019 actuarial valuation was determined using an inflation assumption of 2.5 percent; assumed salary increases of 3.5 percent; an investment rate of return (net of investment expenses) of 7.75 percent (including inflation); and the Public General 2010 Employee and Healthy Retiree, headcount-weighted with MP-2018 improvement factors mortality table. For pre-65 medical benefits, a healthcare cost trend rate of 8.5 percent graded down to 4.5 percent by 0.25 percent per year was used. For post-Medicare medical benefits, a healthcare cost trend rate of 7 percent graded down to 4.5 percent by 0.25 percent per year was used. For dental and vision benefits, a healthcare cost trend rate of 3 percent was used. These assumptions were applied to all periods included in the measurement.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.75 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 OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Investment Rate of Return**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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 adding expected inflation. Best estimates of arithmetic real rates of return as of the March 31, 2019 measurement date for each major asset class included in the OPEB plan’s target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	55.50 %	6.15 %
Global fixed income	18.50	1.26
Real assets	13.50	7.22
Diversifying strategies	12.50	5.00

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the Library, calculated using the discount rate of 7.75 percent, as well as what the Library’s net OPEB 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 (6.75%)	Current Discount Rate (7.75%)	1 Percent Increase (8.75%)
Net OPEB liability of the Library	\$ 1,223,366	\$ 1,038,437	\$ 884,186



**Note 10 - Other Postemployment Benefit Plan (Continued)**

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate*

The following presents the net OPEB liability of the Library, calculated using the healthcare cost trend rate of 8.5 to 4.5 percent, as well as what the Library's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (7.5% to 3.5%)	Current Healthcare Cost Trend Rate (8.5% to 4.5%)	1 Percent Increase (9.5% to 5.5%)
Net OPEB liability of the Library	\$ 861,358	\$ 1,038,437	\$ 1,254,901

**Note 11 - Retirement Plans**

The Library provides pension benefits to all of its full-time employees hired after July 1, 2016 through a defined contribution pension plan administered by Alerus Financial. The plan provides for the Library to make a matching contribution up to 6.5 percent of employee contributions. Contributions to the plan totaled \$4,642 for the year ended March 31, 2019.

March 31, 2019

**Note 12 - 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 balances. The following is a reconciliation of fund balances to net position and the net change in fund balances to the net change in net position:

<b>Fund Balances Reported in Governmental Funds</b>	\$ 5,048,341
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	6,742,974
Property tax revenue not collected within 60 days of year end is recorded as a deferred inflow of resources in the funds	230,100
Bonds payable are not due and payable in the current period and are not reported in the funds	(2,340,000)
Accrued interest is not due and payable in the current period and is not reported in the funds	(19,800)
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	(119,293)
Net pension liability does not represent a claim on current financial resources. Therefore, it is not reported as a fund liability	(640,914)
Deferred inflows related to pension are not a financial resource and are not reported in the funds	(10,253)
Deferred outflows related to pension are not a financial resource and are not reported in the funds	204,363
Net OPEB liability does not represent a claim on current financial resources. Therefore, it is not reported as a fund liability	(1,038,437)
Deferred inflows related to OPEB are not a financial resource and are not reported in the funds	(221,201)
Deferred outflows related to OPEB are not a financial resource and are not reported in the funds	18,184
<b>Net Position of Governmental Activities</b>	<u><u>\$ 7,854,064</u></u>

March 31, 2019

**Note 12 - 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 balances 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:

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	\$ 151,422
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	150,948
Capital outlay	220,469
Depreciation expense	(410,940)
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	(5,766)
Repayment of bond principal is an expenditure in the fund financial statements, but not in the statement of activities	545,000
Change in accrued interest payable	3,974
Decrease in the accrual for compensated absences is reported as revenue in the fund financial statements, but not in the statement of activities	7,256
Increase 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	(320,068)
Change in deferred inflows related to pension	106,948
Change in deferred outflows related to pension	183,585
Decrease in net OPEB 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	170,451
Change in deferred inflows related to OPEB	(221,201)
Change in deferred outflows related to OPEB	18,184
<b>Change in Net Position of Governmental Activities</b>	<u>\$ 600,262</u>

**Note 13 - 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, 2019, the Library's property tax revenue was reduced by approximately \$40,000 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

March 31, 2019

**Note 13 - Tax Abatements (Continued)**

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, 2019, the Library's property tax revenue was reduced by approximately \$90,000 of taxes under this program. There are no provisions to recapture taxes. There are no abatements entered into by the Library itself.

**Note 14 - Change in Accounting Principle**

During the current year, the Library adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, the government-wide statements now include a liability for the unfunded portion of the Library's retiree healthcare costs. Some of the changes in this net OPEB liability will be recognized immediately as part of the OPEB expense measurement, and part will be deferred and recognized over future years. Refer to the other postemployment benefit plan footnote for further details. This change does not impact the General Fund.

As a result of implementing this statement, the beginning net position of the governmental activities has been restated as follows:

Net position - March 31, 2018 - As previously reported	\$ 6,515,845
To eliminate the net OPEB obligation under GASB Statement No. 45	1,946,845
To record the net OPEB liability under GASB Statement No. 75	<u>(1,208,888)</u>
Net position - March 31, 2018 - As restated	<u>\$ 7,253,802</u>

The impact on the prior year changes in net position could not be determined.

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## Required Supplemental Information

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# Redford Township District Library

## Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended March 31, 2019

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
<b>Revenue</b>				
Tax levy	\$ 1,788,500	\$ 1,885,500	\$ 1,806,817	\$ (78,683)
Penal fines	35,000	29,230	29,230	-
Intergovernmental:				
State aid	32,000	35,465	35,465	-
Other state sources	60,000	132,934	132,934	-
Book fines/fees	35,000	35,000	36,158	1,158
Investment earnings	-	-	44,961	44,961
Miscellaneous	119,400	137,057	139,280	2,223
Total revenue	2,069,900	2,255,186	2,224,845	(30,341)
<b>Expenditures</b>				
Personnel	1,228,057	1,228,057	1,173,387	54,670
Contractual services and books	389,000	382,138	347,731	34,407
Operating costs	369,677	397,059	322,860	74,199
Capital outlay	215,000	247,932	220,469	27,463
Total expenditures	2,201,734	2,255,186	2,064,447	190,739
<b>Excess of Revenue (Under) Over Expenditures</b>	(131,834)	-	160,398	160,398
<b>Fund Balance - Beginning of year</b>	4,062,542	4,062,542	4,062,542	-
<b>Fund Balance - End of year</b>	<b>\$ 3,930,708</b>	<b>\$ 4,062,542</b>	<b>\$ 4,222,940</b>	<b>\$ 160,398</b>

# Redford Township District Library

## Required Supplemental Information Schedule of Changes in the Net Pension Liability and Related Ratios

	<b>Last Four Fiscal Years</b>			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Total Pension Liability</b>				
Service cost	\$ 47,039	\$ 54,401	\$ 57,769	\$ 63,749
Interest	232,268	223,529	217,414	199,329
Differences between expected and actual experience	8,929	(30,758)	(81,403)	46,251
Changes in assumptions	-	-	-	106,954
Benefit payments, including refunds	<u>(149,317)</u>	<u>(119,140)</u>	<u>(112,211)</u>	<u>(111,227)</u>
<b>Net Change in Total Pension Liability</b>	138,919	128,032	81,569	305,056
<b>Total Pension Liability - Beginning of year</b>	<u>2,954,500</u>	<u>2,826,468</u>	<u>2,744,899</u>	<u>2,439,843</u>
<b>Total Pension Liability - End of year</b>	<b><u>\$ 3,093,419</u></b>	<b><u>\$ 2,954,500</u></b>	<b><u>\$ 2,826,468</u></b>	<b><u>\$ 2,744,899</u></b>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 75,265	\$ 85,194	\$ 344,153	\$ 91,902
Net investment (loss) income	(102,005)	312,850	235,536	(29,507)
Administrative expenses	(5,092)	(4,950)	(4,591)	(4,286)
Benefit payments, including refunds	<u>(149,317)</u>	<u>(119,140)</u>	<u>(112,211)</u>	<u>(111,227)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	(181,149)	273,954	462,887	(53,118)
<b>Plan Fiduciary Net Position - Beginning of year</b>	<u>2,633,654</u>	<u>2,359,700</u>	<u>1,896,813</u>	<u>1,949,931</u>
<b>Plan Fiduciary Net Position - End of year</b>	<b><u>\$ 2,452,505</u></b>	<b><u>\$ 2,633,654</u></b>	<b><u>\$ 2,359,700</u></b>	<b><u>\$ 1,896,813</u></b>
<b>Library's Net Pension Liability - Ending</b>	<b><u>\$ 640,914</u></b>	<b><u>\$ 320,846</u></b>	<b><u>\$ 466,768</u></b>	<b><u>\$ 848,086</u></b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	79.28 %	89.14 %	83.49 %	69.10 %
<b>Covered Payroll</b>	\$ 398,294	\$ 456,381	\$ 472,358	\$ 506,347
<b>Library's Net Pension Liability as a Percentage of Covered Payroll</b>	160.91 %	70.30 %	98.82 %	167.49 %

GASB Statement No. 68 was implemented for the fiscal year ended March 31, 2016. Data will be added each of the succeeding years until 10 years of such information is available.

# Redford Township District Library

## Required Supplemental Information Schedule of Pension Contributions

### Last Ten Fiscal Years Years Ended March 31

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 72,648	\$ 83,806	\$ 95,860	\$ 92,526	\$ 85,834	\$ 82,764	\$ 76,686	\$ 76,000	\$ 78,000	\$ 74,000
Contributions in relation to the actuarially determined contribution	72,648	83,806	345,860	92,526	85,834	82,764	76,686	76,000	78,000	74,000
<b>Contribution Excess</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 250,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered Payroll</b>	<b>\$ 398,294</b>	<b>\$ 456,381</b>	<b>\$ 472,358</b>	<b>\$ 506,347</b>	<b>\$ 494,481</b>	<b>\$ 492,949</b>	<b>\$ 492,334</b>	<b>\$ 514,310</b>	<b>\$ 535,564</b>	<b>\$ 508,569</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>18.24 %</b>	<b>18.36 %</b>	<b>73.22 %</b>	<b>18.27 %</b>	<b>17.36 %</b>	<b>16.79 %</b>	<b>15.58 %</b>	<b>14.78 %</b>	<b>14.56 %</b>	<b>14.55 %</b>

#### Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially 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	20 years
Asset valuation method	Five-year smoothed market
Inflation	2.5 percent
Salary increase	3.75 percent, including inflation
Investment rate of return	8.0 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



**Redford Township District Library**

Required Supplemental Information  
Schedule of Changes in the Net OPEB Liability and Related Ratios

	<b>Last One Fiscal Year</b>
	<u>2019</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 35,439
Interest	120,642
Differences between expected and actual experience	(229,936)
Changes in assumptions	(32,153)
Benefit payments, including refunds	<u>(31,406)</u>
<b>Net Change in Total OPEB Liability</b>	(137,414)
<b>Total OPEB Liability - Beginning of year</b>	<u>1,536,925</u>
<b>Total OPEB Liability - End of year</b>	<b><u>\$ 1,399,511</u></b>
<b>Plan Fiduciary Net Position</b>	
Contributions to OPEB trust	\$ 30,000
Contributions/Benefit payments	31,406
Net investment income	3,824
Administrative expenses	(787)
Benefit payments, including refunds	<u>(31,406)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	33,037
<b>Plan Fiduciary Net Position - Beginning of year</b>	<u>328,037</u>
<b>Plan Fiduciary Net Position - End of year</b>	<b><u>\$ 361,074</u></b>
<b>Net OPEB Liability - Ending</b>	<b><u>\$ 1,038,437</u></b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	25.80 %
<b>Covered Employee Payroll</b>	\$ 491,623
<b>Net OPEB Liability as a Percentage of Covered Employee Payroll</b>	211.23 %

GASB Statement No. 75 was implemented for the fiscal year ended March 31, 2019. Data will be added each of the succeeding years until 10 years of such information is available.

## Redford Township District Library

## Required Supplemental Information Schedule of OPEB Contributions

### Last Ten Fiscal Years Years Ended March 31

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 216,319	\$ 458,104	\$ 417,118	\$ 381,328	\$ 216,268	\$ 201,883	\$ 189,104	\$ 529,047	\$ 489,617	\$ 503,292
Contributions in relation to the actuarially determined contribution	61,406	60,170	53,810	41,801	41,712	40,599	41,542	47,649	30,000	-
<b>Contribution Deficiency</b>	<b>\$ (154,913)</b>	<b>\$ (397,934)</b>	<b>\$ (363,308)</b>	<b>\$ (339,527)</b>	<b>\$ (174,556)</b>	<b>\$ (161,284)</b>	<b>\$ (147,562)</b>	<b>\$ (481,398)</b>	<b>\$ (459,617)</b>	<b>\$ (503,292)</b>

#### Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date                                      Actuarially determined contribution rates are calculated as of March 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry age normal as a level percentage of payroll
Amortization method	Level dollar
Remaining amortization period	10 years
Asset valuation method	Market value
Inflation	2.5 percent
Healthcare cost trend rates	Pre-65 medical: 8.5 percent graded down to 4.5 percent by 0.25 percent per year; post-Medicare: 7.0 percent graded down to 4.5 percent by 0.25 percent per year; dental/vision: 3 percent per year
Salary increase	3.5 percent
Investment rate of return	7.75
Retirement age	Not applicable
Mortality	Public General 2010 Employee and Healthy Retiree, headcount-weighted with MP-2018 improvement factors
Other information	None