

**Bloomfield Township Public Library  
Bloomfield Township, Michigan**

**FINANCIAL STATEMENTS**

**March 31, 2016**

Bloomfield Township Public Library

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Bloomfield Township Public Library  
Bloomfield Township, Michigan

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Bloomfield Township Public Library as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Bloomfield Township Public Library as of March 31, 2016, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As discussed in Note J to the financial statements, the Library implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the year. As a result, the financial statements now recognize the Library's unfunded defined pension benefit obligation as a liability for the first time and more comprehensively and comparably measures the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension system and other postemployment benefit system schedules, 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, who considers it to be an essential part of financial reporting for the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

June 23, 2016

Bloomfield Township Public Library

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2016

The management's discussion and analysis of Bloomfield Township Public Library's (the Library) financial report provides an overview of the Library's financial activities for the fiscal year ended March 31, 2016. Please read it in conjunction with the Library's financial statements which follow this section.

**Reviewing the Financial Statements**

The basic financial statements, immediately following the management's discussion and analysis, are prepared by our auditors and include information that presents two different views of the Library using the modified accrual and full accrual methods.

The Balance Sheet on page 3 and Statement on Revenues, Expenditures, and Changes in Fund Balance on page 5 show the modified accrual method of reporting. This method of accounting focuses on current financial resources and provides a more detailed view about the accountability of the Library's sources and uses of funds. The Balance Sheet also shows the designated use of fund balance.

The Statement of Net Position on page 1 and Statement of Activities on page 2 show the General Fund and Gift Fund combined in the full accrual method. The reconciliation of these funds used to arrive at the figures is shown on pages 4 and 6, respectively. The reconciliation represents adjustments necessary, due to GASB 34, to convert the modified accrual financial statements to the Statement of Net Position and Statement of Activities under the full accrual method. The full accrual method of accounting focuses on long-term economic resources.

The Statement of Net Position and Statement of Activities provide information about the Library's overall financial status and about the activities of the Library as a Whole and present a longer-term view of the Library's finances.

The financial statements also include auditor notes which explain some of the information in the financial statements and provide more detailed data. The following condensed financial information section shows data comparative with the prior year.

**The Library as a Whole**

Fiscal Year (FY) 2015/2016 ended on a very positive note. This was a year of restoration as it was the first full year with additional revenue due to Bloomfield Township voter approval of the November, 2014 ballot proposal to restore and supplement library revenues. As a result, we were able to reopen on summer Sundays; restore funding for materials and return to a full schedule of programs, including our popular programs that had been discontinued. In addition, we were able to start replacing long overdue and out of date systems, such as our building automation system. We are very thankful to Bloomfield Township voters for their strong support of Bloomfield Township Public Library.

Our 50th anniversary year fundraising Gala, held in October, 2014, resulted in funding to completely refurbish two well used and worn study alcoves in Youth Services. A reopening celebration and ribbon cutting of these two alcoves was held on December 19, 2015. What a wonderful way to recognize 50 years of exceptional library service to the Bloomfield Township community.

**Condensed Financial Information**

The tables below show key financial information under the full accrual method in a condensed format. Please note: Amounts and totals reported are for all Library activities, including general operations, improvements, and gifts, to give a complete picture of the Library as a whole.

The table below has been restated from last year to reflect the recording of the net pension liability and corresponding deferred outflows of resources that are required to be reported as a result of a change in accounting principles.

Bloomfield Township Public Library  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
March 31, 2016

**TABLE 1**

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Current assets	\$ 11,216,149	\$ 9,620,874
Noncurrent assets	-	710,335
Capital assets	<u>24,221,713</u>	<u>25,123,307</u>
Total assets	35,437,862	35,454,516
Deferred outflows of resources	878,930	174,064
<b>Liabilities</b>		
Current liabilities	625,771	382,897
Long term liabilities	<u>2,530,462</u>	<u>2,249,699</u>
Total liabilities	3,156,233	2,632,596
<b>Net position</b>		
Investment in capital assets	24,221,713	25,123,307
Gift fund balance - restricted/expendable	152,904	176,366
Unrestricted	<u>8,785,942</u>	<u>6,811,912</u>
Total net position	<u><b>\$ 33,160,559</b></u>	<u><b>\$ 32,995,984</b></u>

**TABLE 2**

	<u>2016</u>	<u>2015</u>
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 127,721	\$ 133,540
Operating grants and contributions	117,860	99,823
General revenue:		
Property taxes	6,666,966	6,452,114
Penal fines	82,987	61,712
State aid - unrestricted	12,207	24,189
Investment earnings	20,651	74,512
Miscellaneous	<u>12,048</u>	<u>11,114</u>
Total revenue	7,040,440	6,857,004
<b>Program Expenses</b>		
Library services/operations	<u>6,875,865</u>	<u>6,454,057</u>
Change in net position	<u><b>\$ 164,575</b></u>	<u><b>\$ 402,947</b></u>

Bloomfield Township Public Library

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2016

**General Fund Revenues**

Our estimated total revenues when approved in March, 2015 were \$6,974,003. Our actual revenues were \$6,922,196, which was \$51,807 less than originally budgeted in total. This decrease was due primarily to a change in asset value in library investments and only one state aide check was received this fiscal year.

There was a slight increase in revenues from property taxes of \$35,323.

Penal fines were more than originally estimated by \$27,978. State aid revenues are lower than budgeted - \$11,991 - as the second state aid check was not received in FY 2015/2016.

Circulation Fines and Fees decreased from our original estimates by \$15,073 as we are sending fewer overdue accounts to our collection agency.

Charges for Services were \$3,588 more than originally budgeted. Photocopy fees increased slightly as have meeting room rental fees.

Investment earnings were down by \$94,346 from our original estimates as lower earnings were received and continuing volatility of the bond market resulted in a negative change in asset value.

Miscellaneous revenue increased by \$2,714 as part of FY 2014/2015 Library Cafe commissions were paid in FY 2015/2016 and our June, 2015 used equipment sale earned more than originally budgeted.

**General Fund Expenditures**

Total overall expenditures were reduced over the fiscal year. Actual expenditures were \$597,756 less than anticipated. This decrease is due primarily to projects, such as replacing the lobby floor and remediation of lower level water issues, being delayed.

In the Personnel category, total overall expenditures decreased over the fiscal year by \$165,617 due to several vacancies during the year. New employees start at the beginning of the position's salary range resulting in a savings. Our actual employee insurance costs were also lower. In December, 2014, the Library Board approved the hard cap option for FY 2015/2016 as required to comply with PA 152.

Library Services decreased overall by \$72,442 from initial estimates. There was a decrease in processing supplies. Subscription fees for databases increased slightly. Other costs in this category remain as projected.

In the Facilities and Equipment functional category, expenditures decreased by \$176,558 from initial estimates. The actual cost for building insurance was lower than anticipated by \$9,944. This savings was offset slightly by increased in building maintenance and computer system maintenance. Equipment expenditures were reduced due to a delay in purchasing public copiers. Our greatest savings in this category was in public utilities with a savings of \$39,959 in electricity costs. The new building automation system is now programmed to heat and cool the building on a schedule and more efficiently.

Our greatest savings was experienced in the Other Operating Expenditures category. Expenditures decreased by \$183,140 due to lower postage costs, professional services fees, lower project costs, and lower staff development costs. Replacement of the entire lobby floor was not completed this fiscal year resulting in most of the savings in this category.

**Fund Balance**

Our fund balance is \$10,595,205 at year end. This is an increase of \$545,949 compared to the year-end estimate at the beginning of the fiscal year. This is due to the millage approval to restore and supplement library revenue. The additional revenue has been allocated to full funding of the Library's Other Post-Employment Benefits (OPEB) and to start a capital fund to replace failing library systems and building needs, such as a new roof.

Bloomfield Township Public Library

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2016

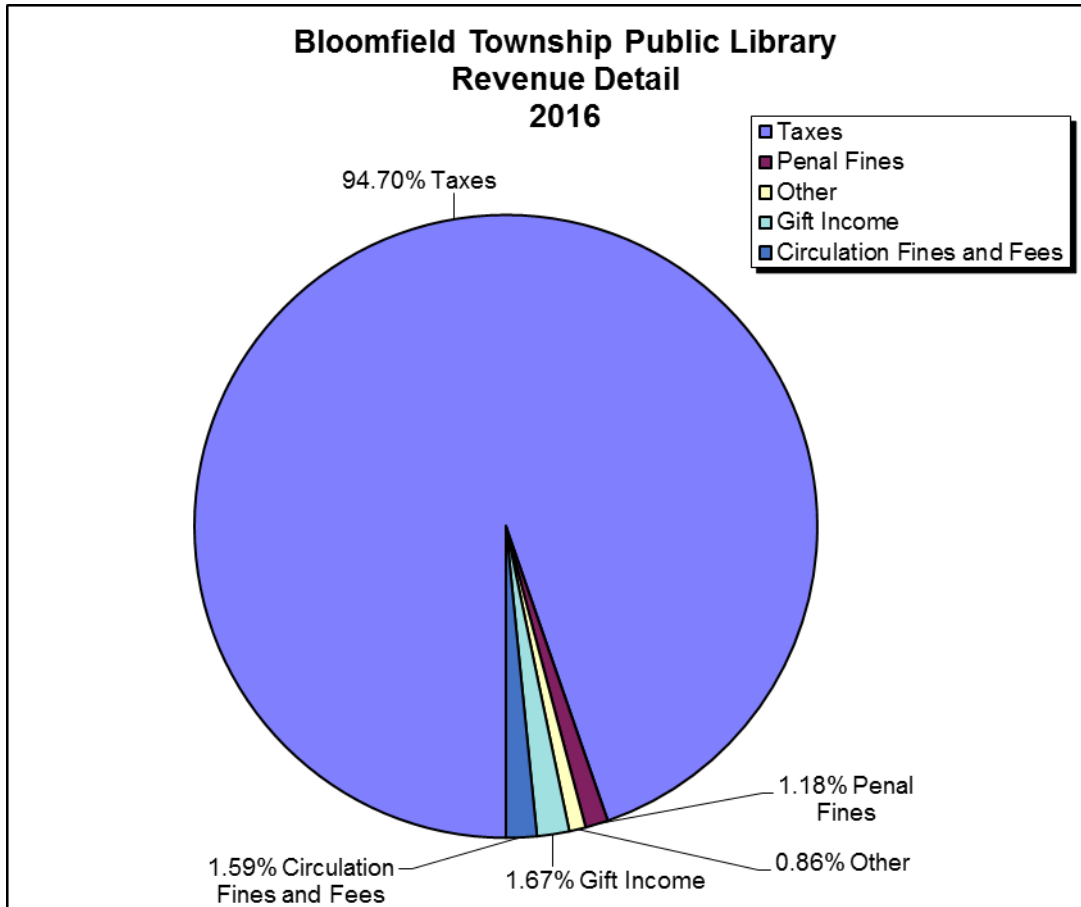
**Gift Fund Estimated Budget**

The Friends of the Library very generously donated \$66,010 during FY 2015/2016. This funding provided support for many of our popular programs such as the Chamber music concerts, PJ Theatre, Everyone's Reading program, and summer reading programs, among others. The Friends' gifts also supported purchases for our various high demand and popular materials collections.

The Gift Fund shows an increased fund balance at year-end compared to FY 2014/2015. Although gifts are being spent for collections, furnishings and equipment as requested by the donors, some donations received near year-end could not be expended in that same year. For example, the Charnov donation, received in FY 2011/2012, will be spent over several years. In addition, funds raised from the Library's 50th anniversary gala celebration were received in FY 2014/2015 but were not spent until Youth alcove work was completed in FY 2015/2016. The actual fund balance at the close of the fiscal year was \$152,904.

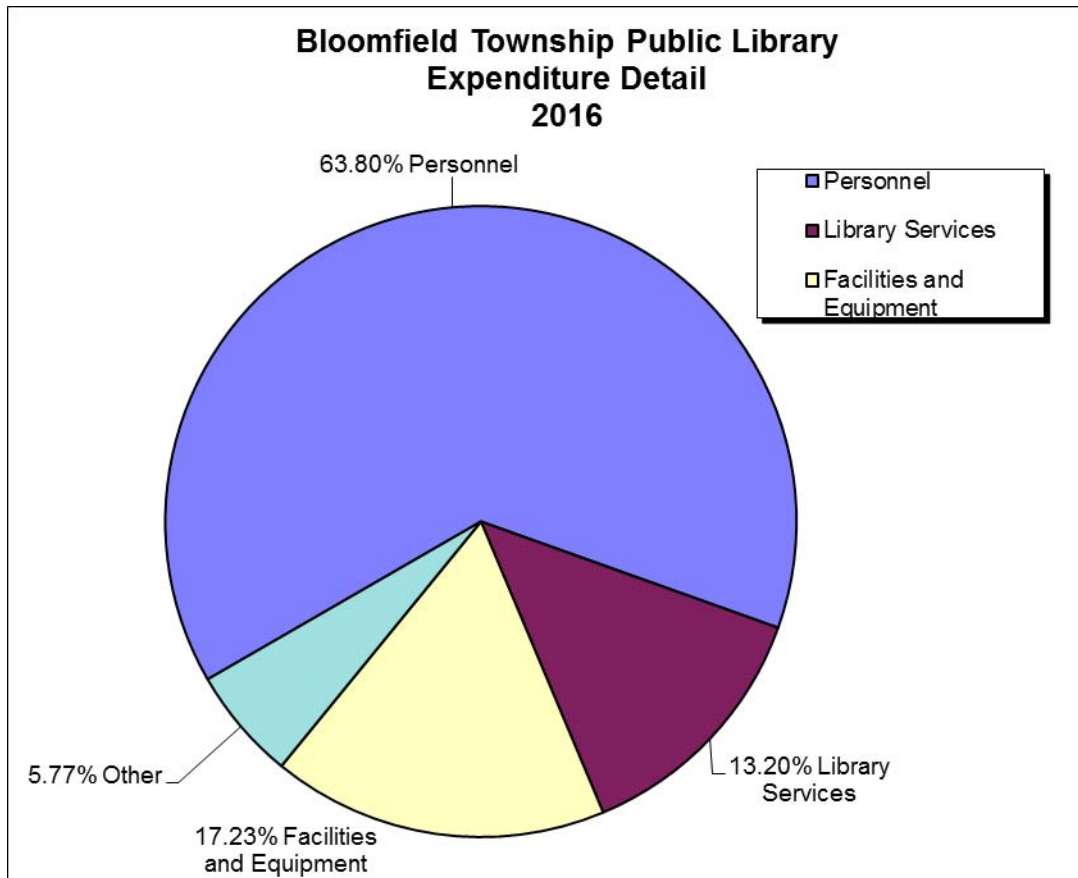
**The Library's Funds**

The budgetary analysis of both library funds, the General Fund and the Gift Fund, is included in the financial statements on pages 22 through 23. The following pie charts illustrate the percentage breakdown of revenues and expenditures for the Library as a Whole, which includes both funds.





Bloomfield Township Public Library  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
March 31, 2016



The largest use of resources during FY 2015/2016 continued to be for personnel salaries and benefits. This is typical of service organizations that are open to the public seven days a week, year-round. We have kept these expenses to a minimum by carefully reviewing vacated positions as to the need to fill these.

**The Library's Budgetary Highlights**

The Library's FY 2015/2016 budget, as approved in March, 2015, included restoration of funding in several areas. Summer Sunday hours were completely restored. Funding for materials was also restored. A full schedule of programs for our patrons was resumed as popular programs such as Little Foodies and story times were added back into the schedule. In addition, several new programs were added. We also completed several important and necessary building and systems projects, such as a new building automation system. We remain very grateful to Bloomfield Township voters for their support of the Library's millage proposal request in November, 2014 that has allowed the Library to restore these important services, programs, collections and repairs.

Over the course of the year, the Library Board of Trustees amended the budget as needed to address unplanned needs or donations that occurred during the year. The most frequent amendments occurred in contributions and donations to the Gift Fund which cannot be anticipated at the start of the year.

Bloomfield Township Public Library

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2016

**Capital Assets and Long-Term Debt Activity**

At the beginning of FY 2015/2016, the Library had \$25,123,307 invested in land, building and improvements, furniture and equipment, books and materials, including media. New collection items totaling \$480,345, consisting of new books and various audiovisual materials, were added to library collections this fiscal year. (This does not include subscriptions to electronic materials and services.) A total of \$123,862 was spent to replace furniture and equipment. In accordance with the Library's fixed asset disposal policy, the items from the Adult Services and Youth Services materials collections, which were no longer suitable for public library use, were donated to the Friends of the Library for their used book sales. The total of materials disposed from the collection amounted to \$440,997. The value of furnishings and equipment disposed amounted to \$414,738. Our final capital asset investment for FY 2015/2016 is \$24,221,713.

The Library's long-term debt activity consists of capped accumulated compensated employee absences (sick/vacation leave) to be paid to eligible employees upon retirement or resignation. It also consists of our annual Other Post-Employment Benefits (OPEB) obligation.

**Next Year's Anticipated Budget Factors**

Library revenues are increasing as a result of a higher millage rate. These increased revenues have completely restored library service hours, a full schedule of programs for all ages, and funding for books and other collections. In addition, the Library will allocate funding each year to pay for future complex and costly building projects such as a new roof. Lastly, several important and necessary building and systems projects will be completed in FY 2016/2017. These include an upgraded technology support system - a system that has reached the end of its life cycle. Investigation into lower level flooding with possible structural changes will take place also. A new strategic planning process begun in FY 2015/2016 will continue as we implement changes and provide future directions for the Library. This process will have implications for the annual budget. In addition, we are working on a long term capital plan that will project when capital items will need replacing and what the estimated cost will be to replace these building and systems features.

**GLOSSARY OF TERMS**

**The Library as a Whole** recognizes the complete activity of the Library, including both the General Fund and Gift Fund, under the full accrual basis of accounting.

**An Endowment** is a permanent fund bestowed to an institution to be used for a specific purpose, as specified by the donor. The Library has six such endowments. The investments of all six endowments are administered by the Community Foundation of Southeastern Michigan. The purpose of these six endowments is to provide support and furtherance of specific programs and activities of the Library.

**Full Accrual Accounting** - Much like how a business reports its revenues and expenses, full accrual accounting is a long-term method of accounting in which revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**Internal control** refers to the interconnected system of checks and balances used to safeguard the Library's monetary assets and helps provide complete and accurate accounting records.

**GASB** - The Governmental Accounting Standards Board is the independent organization that establishes and improves standards of accounting and financial reporting for U.S. state and local governments. The board members of the GASB are appointed by the trustees of the Financial Accounting Foundation, a private sector not-for-profit organization.

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2016

**GLOSSARY OF TERMS - CONTINUED**

**GASB 34** requires state and local governments to begin reporting all financial transactions in annual financial reports on an accrual accounting basis. Two distinct forms of information will be provided in the basic financial statements:

**Government-wide statements** are consolidated financial statements for all of a government operation on a full accrual basis of accounting. They will not be presented on a fund basis; instead, fiscal operations will be organized into two major activities: governmental and business-type. They will have a "net asset" focus, and exclude inter-fund transactions (such as internal service funds) and fiduciary funds. Expenses (which may include allocated "indirect costs") will be shown both gross and net of related revenues such as fees and grants.

**Fund statements**, in meeting stewardship and accountability concerns, are financial statements that are also presented on a fund basis, but not using the same basis of accounting as the government-wide statements for government funds.

**GASB 54** established a specific definition for Special Revenue funds which are used to account for the proceeds of resources that are restricted or committed for purposes other than debt service or capital projects. The restricted or committed resources need to comprise a substantial portion of the inflows reported in the special revenue fund. GASB 54 has also required that new terminology be used when describing parts of our fund balance.

These terms are:

**Nonspendable** amounts cannot be spent because they are either (a) not in spendable form (prepaid expenses) or (b) legally or contractually required to be maintained intact.

**Restricted** amounts can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

**Committed** amounts can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

**Assigned** amounts are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

**Unassigned** amounts are the residual classification for the government's General Fund. It includes all spendable amounts not contained in the other classifications.

**GASB 68** requires governments providing defined benefit pensions to recognize their unfunded defined benefit obligations as a liability and to more comprehensively and comparably measure the annual costs of pension benefits.

**Modified Accrual Accounting** - The individual funds of the Library are accounted for using modified accrual accounting. Modified accrual accounting is a short-term method of accounting that recognizes revenue when it is both measurable and available to be used to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred; however, expenditures related to compensated absences are generally only recorded when payment is due. Long-term assets and liabilities such as capital assets, compensated absences unlikely to be paid out within a year, and the net other post-employment benefits obligation are excluded from the modified accrual balance sheet.

**PA 152** - A Michigan law, PA 152 is the Publicly Funded Health Insurance Contribution Act that requires public employees to contribute to their health care costs. PA 152 gives public employers three options from which to choose for funding health care costs: the hard cap option, 80/20 option or to be exempt. The Library does not qualify to be exempt as it is not, by definition, a local unit of government. Each December, the Library Board must decide which of the other two available options to implement for the next fiscal year.

Bloomfield Township Public Library

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2016

**Contacting the Library's Management**

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

## **BASIC FINANCIAL STATEMENTS**

Bloomfield Township Public Library

STATEMENT OF NET POSITION

March 31, 2016

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 546,038
Investments	10,654,004
Prepays	<u>16,107</u>
Total current assets	11,216,149
Noncurrent assets	
Capital assets not being depreciated	131,015
Capital assets being depreciated, net	<u>24,090,698</u>
Total noncurrent assets	<u>24,221,713</u>
<b>TOTAL ASSETS</b>	<b>35,437,862</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	878,930
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	149,950
Accrued liabilities	43,980
Due to Charter Township of Bloomfield	274,110
Current portion of compensated absences	<u>157,731</u>
Total current liabilities	625,771
Noncurrent liabilities	
Noncurrent portion of compensated absences	319,762
Net other post-employment benefit obligation	2,120,776
Net pension liability	<u>89,924</u>
Total noncurrent liabilities	<u>2,530,462</u>
<b>TOTAL LIABILITIES</b>	<b>3,156,233</b>
<b>NET POSITION</b>	
Investment in capital assets	24,221,713
Restricted	
Gift fund - expendable	152,904
Unrestricted (Including non-spendable, committed, assigned, and unassigned portions of fund balance plus deferred outflows less other post-employment benefits and other long-term liabilities)	<u>8,785,942</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 33,160,559</u></b>

See accompanying notes to financial statements.

Bloomfield Township Public Library

STATEMENT OF ACTIVITIES

Year Ended March 31, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities				
Recreation and culture	<u>\$ 6,875,865</u>	<u>\$ 127,721</u>	<u>\$ 117,860</u>	\$ (6,630,284)
General revenues				
Property taxes				6,666,966
Penal fines				82,987
State aid - unrestricted				12,207
Investment earnings				20,651
Miscellaneous				<u>12,048</u>
Total general revenues				<u>6,794,859</u>
Change in net position				164,575
Restated net position, beginning of the year				<u>32,995,984</u>
Net position, end of the year				<u>\$ 33,160,559</u>

See accompanying notes to financial statements.

Bloomfield Township Public Library

Governmental Funds

BALANCE SHEET

March 31, 2016

	General Fund	Gift Fund	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 392,059	\$ 153,979	\$ 546,038
Investments	10,654,004	-	10,654,004
Prepaid expenses	15,042	1,065	16,107
	<u>11,061,105</u>	<u>155,044</u>	<u>11,216,149</u>
<b>TOTAL ASSETS</b>	<b>\$ 11,061,105</b>	<b>\$ 155,044</b>	<b>\$ 11,216,149</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 147,810	\$ 2,140	\$ 149,950
Accrued liabilities	43,980	-	43,980
Due to Charter Township of Bloomfield	274,110	-	274,110
	<u>465,900</u>	<u>2,140</u>	<u>468,040</u>
<b>TOTAL LIABILITIES</b>	<b>465,900</b>	<b>2,140</b>	<b>468,040</b>
<b>FUND BALANCES</b>			
Nonspendable	15,042	1,065	16,107
Restricted	-	151,839	151,839
Committed	4,469,191	-	4,469,191
Assigned	5,967,695	-	5,967,695
Unassigned	143,277	-	143,277
	<u>10,595,205</u>	<u>152,904</u>	<u>10,748,109</u>
<b>TOTAL FUND BALANCES</b>	<b>10,595,205</b>	<b>152,904</b>	<b>10,748,109</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 11,061,105</b>	<b>\$ 155,044</b>	<b>\$ 11,216,149</b>

See accompanying notes to financial statements.



Bloomfield Township Public Library

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

March 31, 2016

**Total fund balance - governmental funds** \$ 10,748,109

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 36,018,491
Accumulated depreciation is	<u>(11,796,778)</u>

Capital assets, net	24,221,713
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Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions	878,930
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund balance sheet. Long-term liabilities at year-end consist of:

Compensated absences	(477,493)
Other postemployment benefit obligation	(2,120,776)
Net pension liability	<u>(89,924)</u>

(2,688,193)

**Net position of governmental activities**

**\$ 33,160,559**

Bloomfield Township Public Library

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended March 31, 2016

	General Fund	Gift Fund	Total
<b>REVENUES</b>			
Property taxes	\$ 6,666,966	\$ -	\$ 6,666,966
Penal fines	82,987	-	82,987
State aid	12,207	-	12,207
Circulation fines and fees	112,223	-	112,223
Charges for services	15,498	-	15,498
Investment earnings	20,267	384	20,651
Gift income	-	117,860	117,860
Miscellaneous income	12,048	-	12,048
	<u>6,922,196</u>	<u>118,244</u>	<u>7,040,440</u>
<b>TOTAL REVENUES</b>	<b>6,922,196</b>	<b>118,244</b>	<b>7,040,440</b>
<b>EXPENDITURES</b>			
Current			
Recreation and culture			
Personnel	3,528,077	-	3,528,077
Library services	697,629	32,594	730,223
Facilities and equipment	896,914	55,748	952,662
Other expenditures	265,982	53,364	319,346
	<u>5,388,602</u>	<u>141,706</u>	<u>5,530,308</u>
<b>TOTAL EXPENDITURES</b>	<b>5,388,602</b>	<b>141,706</b>	<b>5,530,308</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>1,533,594</b>	<b>(23,462)</b>	<b>1,510,132</b>
Fund balance, beginning of the year	<u>9,061,611</u>	<u>176,366</u>	<u>9,237,977</u>
Fund balance, end of the year	<u><u>\$ 10,595,205</u></u>	<u><u>\$ 152,904</u></u>	<u><u>\$ 10,748,109</u></u>

See accompanying notes to financial statements.

Bloomfield Township Public Library

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2016

**Net change in fund balances - governmental funds** **\$ 1,510,132**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$	604,207
Depreciation expense		(1,440,795)
Loss on disposal of capital assets		<u>(65,006)</u>

Excess of depreciation expense and loss on disposal over capital outlay	(901,594)
---	-----------

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund. These activities consist of:

Increase in deferred outflows of resources related to pensions		704,866
(Increase) in compensated absences		(19,681)
(Increase) in other postemployment benefit obligation		(328,889)
(Increase) in net pension liability		<u>(800,259)</u>

(443,963)

Change in net position of governmental activities

\$ 164,575

Bloomfield Township Public Library

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

**NOTE A: DESCRIPTION OF LIBRARY AND SIGNIFICANT ACCOUNTING POLICIES**

The Bloomfield Township Public Library (the Library) was established in 1964 to provide recreational and cultural services to the residents of Bloomfield Township. The Library's activities are overseen by an autonomous six (6) member Board of Trustees.

The financial statements of the Library have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles. The Library's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the Library. The Library has no activities that would be classified as component units.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the Library as a whole. All non-fiduciary activities of the Library are included (i.e., fiduciary activities are not included in the government-wide financial statements).

The statement of activities presents the direct functional expenses of the Library and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to meet the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the Library.

FUND FINANCIAL STATEMENTS

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The governmental fund financial statements present the Library's General Fund. The General Fund is used to account for all financial transactions not accounted for in another fund including the general operating expenditures of the Library. Revenues are derived primarily from property taxes, state distributions, and grants. The Library also reports a Gift Fund to account for all contributions and gifts received. Both funds are considered major funds.

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

The governmental fund is presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of this fund present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

**NOTE A: DESCRIPTION OF LIBRARY AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the Library before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenses.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is sixty (60) days. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual include property taxes, state aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are recorded when due.

5. Budgets and Budgetary Accounting

The General Fund budget shown as required supplementary information to the financial statements was prepared on the modified accrual basis of accounting. The Library employs the following procedures in establishing the budgetary data.

- a. The Library prepares the proposed operating budget for the fiscal year commencing April 1. The operating budget includes proposed expenditures and resources to finance them.
- b. Prior to incurring significant expenditures, the budget is legally enacted through Board of Trustees action.
- c. The budget is legally adopted and maintained at the functional level, which corresponds to the level of detail shown in the budgetary comparison schedule.
- d. Budgeted amounts are reported as originally adopted and as amended by the Board of Trustees during the year.

6. Cash and Cash Equivalents

Cash equivalents include highly liquid investments with original maturities of three months or less. The Library places its cash with high credit quality financial institutions. At times, such balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits.

7. Investments

Realized gains and losses on investment transactions are recorded as the difference between proceeds received and carrying value. Net unrealized appreciation or depreciation in the fair market value of investments is recorded as the change in carrying value of the investment portfolio from the beginning of the year or date of purchase to the end of the year.

Bloomfield Township Public Library

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

**NOTE A: DESCRIPTION OF LIBRARY AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

8. Accounts Receivable

Accounts receivable are stated at the outstanding principal balance adjusted for any charge-offs. Management closely monitors outstanding balances and writes off receivables when the receivable is deemed uncollectible. Management believes any realization losses on the outstanding balance at March 31, 2016 would be immaterial; accordingly, no allowance is utilized.

9. Due to Charter Township of Bloomfield

The Charter Township of Bloomfield processes payroll and employee benefits for the Library. Due to Charter Township of Bloomfield represents the required transfer of funds to the Township for payment of the Library's March payroll as well as a portion of the Library's retirement contribution.

10. Capital Assets

Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Building and improvements	60 years
Furniture and equipment	10 years
Library books and audiovisual materials	8 years
Software	5 years

11. Compensated Absences

Compensated absences represent the estimated liability to be paid to employees under the Library's compensated absences policy. It is the Library's policy to permit employees to accumulate earned but unused sick time up to 80 days and vacation time earned but unused in the current year. All sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for eligible employee terminations as of year end.

12. Net Pension Liability

The net pension liability is deemed to be a noncurrent liability and is recognized on the Library's government-wide financial statements.

13. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

**NOTE A: DESCRIPTION OF LIBRARY AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

13. Deferred Outflows/Inflows of Resources - continued

The Library has several items that qualify for reporting in these categories. These items correspond the Library's net pension liability and are related to differences between expected and actual experience, changes in assumptions, and differences between projected and actual pension plan investment earnings. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

14. Estimates

The process of preparing basic financial statements in conformity with GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the basic financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

15. Property Taxes

All fines, fees, and property tax receivables are shown as net of allowance for uncollectible amounts, if deemed necessary. Property taxes are levied on December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed. The 2015 taxable valuation of the property subject to the Library's millage totaled approximately \$3.4 billion, on which ad valorem taxes levied consisted of 1.9854 mills for the Library's operating purposes. Net property tax revenues were approximately \$6,666,966 for operations and are recognized in the General Fund financial statement.

16. Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including July 14, 2016 which is the date the financial statements were available to be issued.

**NOTE B: CASH AND INVESTMENTS**

In accordance with Michigan Compiled Laws (MCL 129.91 through 129.97a), the Library is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.

Bloomfield Township Public Library  
 NOTES TO FINANCIAL STATEMENTS  
 March 31, 2016

**NOTE B: CASH AND INVESTMENTS - CONTINUED**

- 5. Bankers acceptances of United States banks.
- 6. Mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library Board of Trustees chooses to allow investments in only items 1, 2, and 6 above.

The balances comprising the cash and cash equivalents on the accompanying statement of net position are as follows:

Cash on hand	\$	2,500
Bank deposits (checking and savings accounts and certificates of deposit)		543,538
Investments		<u>10,654,004</u>
Total		<u><u>\$ 11,200,042</u></u>

**Interest Rate Risk**

State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The Library's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

	Investment Maturities (Fair Value by Years)			Rating
	Fair Value	Less than 1	1 - 5	
Fixed Income Mutual Funds	<u>\$ 10,654,004</u>	<u>\$ -</u>	<u>\$ 10,654,004</u>	N/A

**Credit Risk**

State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions and qualified mutual funds as identified in the list of authorized investments above. The Library's investment policy does not have specific limits in excess of state law on investment credit risk. Ratings are not required for money market or mutual funds.

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library's deposits may not be returned. State law does not require and the Library does not have a policy for deposit custodial credit risk. As of year end, \$21,040 of the Library's bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.



Bloomfield Township Public Library

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

**NOTE B: CASH AND INVESTMENTS - CONTINUED**

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Library does not have a policy for investment custodial credit risk. Although uninsured and unregistered, the Library's investments at March 31, 2016 are not subject to custodial credit risk.

Concentration of Credit Risk

State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Library's investment policy does not have specific limits in excess of state law on concentration of credit risk.

**NOTE C: ASSETS HELD AT COMMUNITY FOUNDATIONS**

There are six endowment funds that are held and managed by the Community Foundation for Southeastern Michigan ("CFSEM") for the benefits of the Library and are irrevocably invested. CFSEM is a public charity that is funded through donations by a large number of contributors. Earnings are available for distribution to the Library for its operations at the discretion of CFSEM. CFSEM maintains unilateral variance power and legal ownership of the endowment funds, and therefore, principal and earnings balances are not reflected in the Library's financial statements. Balances are reported on a calendar year basis.

	Bloomfield Township Public Library Endowment Fund	Yvonne Y. Atkinson Fund	Lawrence Smith and Isabel Francis Smith and Challenge Grant Fund	Jeanette P. Myers Memorial Scholarship Fund	Fair Radom Garden Endowment Fund	Library Director's Legacy Endowment Fund	Total
Balance - January 1, 2015	\$ 29,007	\$ 29,617	\$ 31,113	\$ 13,849	\$ 15,087	\$ 13,260	\$ 131,933
Contributions	620	-	1,875	50	-	-	2,545
Distributions	-	(1,390)	(1,453)	(643)	(709)	-	(4,195)
Investment earnings	(1,045)	(1,024)	(1,179)	(481)	(522)	(470)	(4,721)
Balance - December 31, 2015	<u>\$ 28,582</u>	<u>\$ 27,203</u>	<u>\$ 30,356</u>	<u>\$ 12,775</u>	<u>\$ 13,856</u>	<u>\$ 12,790</u>	<u>\$ 125,562</u>

Bloomfield Township Public Library  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2016

**NOTE D: CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2016, was as follows:

	Balance April 1, 2015	Additions	Disposals	Balance Mar. 31, 2016
Capital assets not being depreciated				
Land	\$ 131,015	\$ -	\$ -	\$ 131,015
Capital assets being depreciated				
Building	26,693,479	-	-	26,693,479
Furniture and equipment	4,649,545	123,862	(414,738)	4,358,669
Library books and materials	4,795,980	480,345	(440,997)	4,835,328
Total capital assets being depreciated	36,139,004	604,207	(855,735)	35,887,476
Less accumulated depreciation for:				
Building	(4,817,075)	(447,853)	-	(5,264,928)
Furniture and equipment	(3,500,727)	(430,096)	359,437	(3,571,386)
Library books and materials	(2,828,910)	(562,846)	431,292	(2,960,464)
Total accumulated depreciation	(11,146,712)	(1,440,795)	790,729	(11,796,778)
Net capital assets being depreciated	24,992,292	(836,588)	(65,006)	24,090,698
Capital assets, net	<u>\$ 25,123,307</u>	<u>\$ (836,588)</u>	<u>\$ (65,006)</u>	<u>\$ 24,221,713</u>

**NOTE E: LONG-TERM LIABILITIES**

The following is a summary of long-term debt outstanding for the year ended March 31, 2016:

	Balance April 1, 2015	Additions	Deletions	Balance Mar. 31, 2016	Amounts due within one year
Compensated absences	<u>\$ 457,812</u>	<u>\$ 259,331</u>	<u>\$ (239,650)</u>	<u>\$ 477,493</u>	<u>\$ 157,731</u>

Compensated absences represent the estimated liability to be paid to employees under the Library's vacation and sick pay policy. Under the vacation policy, employees earn vacation time based on time of service with the Library. Compensated absences are generally liquidated by the General Fund.

**NOTE F: DEBT SERVICE COMMITMENT**

On November 7, 2013, the Charter Township of Bloomfield issued General Obligation Limited Tax Pension Obligation Bonds in the amount of \$80,780,000. The purpose of this bond issue was to fund the pension plan of the Charter Township, which the Library participates in. The Library Board of Directors has agreed to participate in the debt service applicable to these bonds by paying 3.57% of the total principal and interest requirements. This commitment of principal and interest payments amounts to \$3,586,650 as of March 31, 2016 and is payable through May 1, 2032, with \$222,448 being due in the 2017 fiscal year. This commitment will be serviced with revenues of the General Fund.

Bloomfield Township Public Library  
NOTES TO FINANCIAL STATEMENTS

March 31, 2016

**NOTE G: RETIREMENT PLAN**

Plan Description

Qualified, full-time employees of the Bloomfield Township Public Library are covered by the Township of Bloomfield Retirement Income Plan ("the Plan"), which is a cost-sharing single employer defined benefit pension plan covering all of the governmental units of the Charter Township of Bloomfield (the "Township"). The Plan provides retirement benefits for all employees attaining age 50 with full vesting. The Plan was closed to new employees effective April 1, 2011. The Plan issues a publicly available report that is included in the basic financial statements of the Township. That report may be obtained by writing to the Charter Township of Bloomfield, 4200 Telegraph Road, Bloomfield Hills, Michigan 48302.

Active Library participants	18
Library participants receiving benefits	13
	31

Contributions

The obligation to contribute to and maintain the system for these employees was established by a resolution of the Library's Board of Trustees and requires a contribution from the employees of 5 percent of gross wages. The Township is required to contribute at actuarially required rates.

The Township sold pension obligation bonds and the plan was fully funded as of January 1, 2014. The Library's contribution to the Plan for the year ended March 31, 2016 was \$0, and was equal to the actuarially required contribution for the year.

Net Pension Liability of the Library

The components of the net pension liability of the Library at March 31, 2016, were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at April 1, 2015	\$ 7,256,800	\$ 7,967,135	\$ (710,335)
Changes for the year			
Service cost	108,762	-	108,762
Interest on total pension liability	442,247	-	442,247
Difference between expected and actual experience	251,783	-	251,783
Employer contributions	-	-	-0-
Employee contributions	-	11,194	(11,194)
Net investment income	-	(5,556)	5,556
Benefit payments, including employee refunds	(350,338)	(350,338)	-0-
Administrative expense	-	(3,105)	3,105
	452,454	(347,805)	800,259
Net changes			
Balances at March 31, 2016	\$ 7,709,254	\$ 7,619,330	\$ 89,924

Bloomfield Township Public Library

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

**NOTE G: RETIREMENT PLAN - CONTINUED**

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of March 31, 2016, using the following actuarial assumptions, applied to all periods included in the measurement of the Plan:

Actuarial cost method	Costs have been computed in accordance with the Entry Age Normal Actuarial Cost Method.
Amortization method	Changes in assumptions and differences between assumptions and actual experience are recognized over the average remaining years of employment of employees (active and inactive employees, including retirees). Differences between expected earnings on plan investments and actual investment earnings are recognized over a five year period. Changes in benefit terms are recognized immediately.
Asset valuation method	Assets have been valued in accordance with generally accepted procedures as described below. Assets are valued at contract value with a market value adjustment factor for the Guaranteed Deposit Account Assets, and at market value for Separate Accounts, which is considered the best representation of Fair Value. The market value of the Guaranteed Deposit Account is an estimate only and not the result of the precise calculation which would be done at contract discontinuance or to measure the impact of excess withdrawals in any calendar year.
Projected salary increases	Salaries are assumed to increase at an annual rate of 3.0%.
Cost of living assumption adjustments	All retirees and participants eligible to retire immediately receive a 1% annual cost of living adjustment for life.
Investment rate of return	6.00% per annum.
Retirement Age	Age 55 with 25 years of Service or Age 62. Participants at or beyond this age are assumed to retire immediately. Non-active, non-retired participants are assumed to retire at Normal Retirement Age.
Mortality	Divisions 0, 1, 3 - RP 2014 Total Data Set Mortality Table with Scale MP-2014 Divisions 2, 4, 5, 7 - RP 2014 Blue Collar Mortality Table with Scale MP-2014

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the period April 1, 2015 through March 31, 2016.

Significant Actuarial Changes

There were no changes in the pension plan provisions this year. Effective January 1, 2016 the discount rate was changed from 6.25% to 6.00%. This change was made to better anticipate future asset returns.

Bloomfield Township Public Library

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

**NOTE G: RETIREMENT PLAN - CONTINUED**

Long-Term Expected Return on Plan Assets

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Large Cap Equity	18%	8.00%
Small Cap Equity	8%	8.75%
Mid Cap Equity	7%	8.50%
International Equity	5%	7.50%
Stable Value	60%	4.60%
Real Estate	3%	6.75%

Discount Rate

A single rate of return has been determined and applied to all projected benefit payments to arrive at an actuarial present value. This single rate of return has been determined by projecting all future benefit payments of the covered group on a closed group basis and discounting them at the long-term expected rate of return on plan assets, if the pension plan's fiduciary net position is projected to be greater than or equal to the benefit payments that are projected to be made in that period. For any future period where the pension plan's fiduciary net position is projected to be less than the benefit payments that are projected to be made in that period, those future benefit payments are discounted at an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA or higher.

Sensitivity of Net Pension Liability

Regarding the sensitivity of the net pension liability to changes in the Single Discount Rate, the following presents the plan's net pension liability, calculated using a Single Discount Rate of 6.00%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher.

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Net pension liability	\$ 1,138,407	\$ 89,924	\$ (771,137)

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

For the year ended March 31, 2016, the Library recognized pension expense of \$94,420. The Library reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 98,938	\$ -
Change in assumptions	254,314	-
Differences between projected and actual earnings	525,678	-
Total	<u>\$ 878,930</u>	<u>\$ -0-</u>

Bloomfield Township Public Library

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

**NOTE G: RETIREMENT PLAN - CONTINUED**

Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - continued

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending March 31,</u>	<u>Pension Expense</u>
2017	\$ 203,878
2018	203,878
2019	203,878
2020	203,878
2021	63,418

Defined Contribution Plan

Plan Description

Qualified, full-time employees of the Bloomfield Township Public Library are covered by the Charter Township of Bloomfield 401(a) Plan (the "Plan"), which is a defined contribution pension plan established by the Township to provide benefits at retirement for eligible employees. The Plan was effective April 1, 2011 for new library hires. At March 31, 2016, there were five plan members. A stand-alone financial report of the Plan has not been issued.

Funding Policy

The obligation to contribute and maintain the Plan for these employees was established by a resolution of the Library's Board of Trustees and requires a contribution from the Library of 10 percent of participating employees' payroll. The Library's policy does not require or allow contributions from employees. Contributions to the Plan amounted to \$23,709 for the year ended March 31, 2016.

**NOTE H: OTHER POST-EMPLOYMENT BENEFITS**

Defined Benefit Plan

Plan Description

The Library provides retiree healthcare benefits to eligible full-time employees hired before May 1, 2011 and their spouses/qualified dependents. This is a cost-sharing single employer defined benefit plan administered by Bloomfield Township. The plan issues a publicly available report that is included in the basic financial statements of the Township. That report may be obtained by writing to the Charter Township of Bloomfield, 4200 Telegraph Road, Bloomfield Hills, Michigan 48302. The benefits provided to Library employees have been established by a resolution of the Library's Board of Trustees.

Funding Policy

The Library's policy does not require or allow contributions from employees. The Library has no obligation to make contributions in advance of when the insurance premiums or benefits are due for payment; in other words, the plan may be financed on a *pay-as-you-go* basis.

Bloomfield Township Public Library  
 NOTES TO FINANCIAL STATEMENTS

March 31, 2016

**NOTE H: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

Funding Progress

For the year ended March 31, 2016, the Township estimated the cost of providing retiree healthcare benefits for Library retirees through an actuarial valuation as of July 1, 2015. Such a valuation computes an *annual required contribution* (ARC) that represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 25 years.

Annual OPEB Cost and Net OPEB Obligation

For 2016, the components of the Library's annual OPEB (other postemployment benefit) cost for the year, the amount actually contributed to the plan, and changes in the Library's net OPEB obligation to the plan are as follows:

Annual required contribution (ARC)	\$	531,108
Interest on net OPEB liability		71,675
Adjustment to annual required contribution		<u>(103,517)</u>
Annual OPEB cost (expense)		499,266
Amounts contributed		
Employer contributions		<u>(170,377)</u>
Increase in net OPEB liability		328,889
OPEB liability - beginning of year		<u>1,791,887</u>
OPEB liability - end of year		<u><u>\$ 2,120,776</u></u>

The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three years were as follows:

Year Ended March 31,	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Liability
2014	\$ 503,682	42.3%	\$ 1,427,233
2015	517,090	28.3%	1,791,887
2016	499,266	34.1%	2,120,776

Bloomfield Township Public Library

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

**NOTE H: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

Funded Status and Funding Progress

The funded status of the plan for the Library as of July 1, 2015, the date of the latest actuarial valuation, was as follows:

	<u>Current Year Report</u>
Valuation date	7/1/2015
Market value of plan assets	\$ -
Actuarial accrued liability	5,257,680
Unfunded actuarial liability	5,257,680
Funded ratio	0.00%
Covered payroll	Not available
Unfunded liability/payroll ratio	Not available

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 to past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

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 the 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.

Significant methods and assumptions were as follows:

Actuarial valuation date	July 1, 2015
Actuarial cost method	Projected unit credit cost
Amortization method	Level percent of payroll
Remaining amortization period	20 years
Investment rate of return	4.5%
Healthcare inflation rate	5.5% initially, 4.6% ultimately

**Retirement Health Savings Plan**

Plan Description

The Library provides retiree healthcare to eligible full-time employees hired on or after May 1, 2011 and their spouses/qualified dependents through a Retirement Health Savings Plan. The plan provides a healthcare account for employees that is portable upon separation of employment from the Library with full vesting. At March 31, 2016, there were five plan members.



Bloomfield Township Public Library  
NOTES TO FINANCIAL STATEMENTS

March 31, 2016

**NOTE H: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

Funding Policy

The obligation to contribute and maintain the plan for these employees was established by a resolution of the Library's Board of Trustees and requires annual contribution from the Library of \$2,500 to each employee's account while employed. The employees make an annual contribution of 2% of payroll while employed. Participation is mandatory. The Library made contributions of \$12,500 to the plan for the year ended March 31, 2016.

**NOTE I: DETAILS OF FUND BALANCE CLASSIFICATIONS**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance under this standard:

*Nonspendable* - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

*Restricted* - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation.

*Committed* - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

*Assigned* - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

*Unassigned* - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative Fund Balances are always reported as Unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the Library's highest level of decision-making authority is the Board of Trustees. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is board action.

For assigned fund balance, the Board of Trustees is authorized to assign amounts to a specific purpose through a full vote and approval.

For the classification of fund balance amounts, the Library spends restricted amounts first, then unrestricted amounts when both restricted and unrestricted amounts are available. Similarly, the Library spends committed amounts first, then assigned amounts, and finally unassigned amounts when any of those unrestricted fund balance classifications could be used.

Bloomfield Township Public Library  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2016

**NOTE I: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED**

Detailed information on fund balances of governmental funds is as follows:

	<u>General Fund</u>	<u>Gift Fund</u>	<u>Total</u>
Nonspendable	\$ 15,042	\$ 1,065	\$ 16,107
Restricted for - gifts	-	151,839	151,839
Committed for - cash flow	4,469,191	-	4,469,191
Assigned for - OPEB, compensated absences, and capital improvements	5,967,695	-	5,967,695
Unassigned	143,277	-	143,277
	<u>\$ 10,595,205</u>	<u>\$ 152,904</u>	<u>\$ 10,748,109</u>

**NOTE J: RISK MANAGEMENT**

The Library is exposed to various risk of loss related to property loss, torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employee's; and natural disasters.

The Library participates with the Charter Township of Bloomfield in its risk management program to cover these risks.

**NOTE K: CHANGE IN ACCOUNTING PRINCIPLE**

GASB Statement No.68, *Accounting and Financial Reporting for Pensions*, was implemented during the year. The statement requires governments providing defined benefit pensions to recognize their unfunded defined pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI).

**NOTE L: UPCOMING ACCOUNTING PRONOUNCEMENTS**

In March 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Statement also provides guidance for determining a fair value to certain investments and disclosures related to all fair value measurements. The Library is currently evaluating the impact this standard will have on the financial statements when adopted for the 2016-2017 fiscal year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensibly and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The Library is currently evaluating the impact this standard will have on the financial statements when adopted for the 2018-2019 fiscal year.

Bloomfield Township Public Library

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

**NOTE L: UPCOMING ACCOUNTING PRONOUNCEMENTS - CONTINUED**

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that are not consistently or comprehensively reported to the public at present. The Library is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

**NOTE M: RESTATEMENT OF NET POSITION**

Beginning net position has been restated for the governmental activities by \$884,399 to reflect the beginning net pension asset and related deferred outflows of resources and deferred inflows of resources due to the change in accounting principles as described in Note K.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Bloomfield Township Public Library

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2016

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 6,631,643	\$ 6,670,251	\$ 6,666,966	\$ (3,285)
Penal fines	55,009	82,987	82,987	-0-
State aid	24,198	12,207	12,207	-0-
Circulation fines and fees	127,296	100,000	112,223	12,223
Charges for services	11,910	14,521	15,498	977
Investment earnings	114,613	19,992	20,267	275
Miscellaneous income	9,334	11,343	12,048	705
<b>TOTAL REVENUES</b>	<b>6,974,003</b>	<b>6,911,301</b>	<b>6,922,196</b>	<b>10,895</b>
<b>EXPENDITURES</b>				
Personnel	3,693,694	3,644,882	3,528,077	116,805
Library services	770,071	761,521	697,629	63,892
Facilities and equipment	1,073,472	1,013,998	896,914	117,084
Other expenditures	449,121	283,473	265,982	17,491
<b>TOTAL EXPENDITURES</b>	<b>5,986,358</b>	<b>5,703,874</b>	<b>5,388,602</b>	<b>315,272</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>987,645</b>	<b>1,207,427</b>	<b>1,533,594</b>	<b>326,167</b>
Fund balance, beginning of year	8,858,516	9,061,611	9,061,611	-0-
Fund balance, end of year	<u>\$ 9,846,161</u>	<u>\$ 10,269,038</u>	<u>\$ 10,595,205</u>	<u>\$ 326,167</u>

Bloomfield Township Public Library

Gift Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2016

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Gift income	\$ 643	\$ 117,508	\$ 117,860	\$ 352
Investment earnings	157	157	384	227
TOTAL REVENUES	800	117,665	118,244	579
EXPENDITURES				
Library services	20,194	32,252	32,594	(342)
Facilities and equipment	59,476	56,155	55,748	407
Other expenditures	95,794	53,364	53,364	-0-
TOTAL EXPENDITURES	175,464	141,771	141,706	65
NET CHANGE IN FUND BALANCE	(174,664)	(24,106)	(23,462)	644
Fund balance, beginning of year	176,366	176,366	176,366	-0-
Fund balance, end of year	\$ 1,702	\$ 152,260	\$ 152,904	\$ 644

Bloomfield Township Public Library

Retirement System

SCHEDULE OF CHANGES IN THE LIBRARY'S NET PENSION LIABILITY AND RELATED RATIOS

Last Fiscal Year (ultimately ten fiscal years will be displayed)

	<u>2016</u>
CHANGE IN TOTAL PENSION LIABILITY	
Service Cost	\$ 108,762
Interest Cost	442,247
Differences between expected and actual experience	251,783
Benefit payments	<u>(350,338)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	452,454
TOTAL PENSION LIABILITY, BEGINNING	<u>7,256,800</u>
TOTAL PENSION LIABILITY, ENDING (A)	<u><u>\$ 7,709,254</u></u>
CHANGE IN PLAN FIDUCIARY NET POSITION	
Contributions - member	\$ 11,194
Net investment income	(5,556)
Benefit payments	(350,338)
Expenses paid	<u>(3,105)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(347,805)
PLAN FIDUCIARY NET POSITION, BEGINNING	<u>7,967,135</u>
PLAN FIDUCIARY NET POSITION, ENDING (B)	<u><u>\$ 7,619,330</u></u>
LIBRARY'S NET PENSION LIABILITY, ENDING (A)-(B)	<u><u>\$ 89,924</u></u>
Plan fiduciary net position as a percentage of the total pension liability	98.83%
Covered-employee payroll	\$ 1,078,668
Library's net pension liability as a percentage of covered employee payroll	8.34%

Bloomfield Township Public Library

Retirement System

SCHEDULE OF CONTRIBUTIONS

Last Fiscal Year (ultimately ten fiscal years will be displayed)

	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contribution as a Percentage of Covered- Employee Payroll</u>
2016	\$ -	\$ -	\$ -	\$ 485,655	0.00%



Bloomfield Township Public Library

Retirement System

SCHEDULE OF INVESTMENT RETURNS

Last Fiscal Year (ultimately ten fiscal years will be displayed)

Annual Money-Weighted  
Rate of Return,  
Net of Investment Expenses

2016	-0.10%
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Bloomfield Township Public Library

Other Postemployment Benefits

SCHEDULE OF FUNDING PROGRESS

Year Ended March 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Under/(Over) Funded Actuarial Accrued Liability (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	Actuarial Accrued Liability as a Percentage of Covered Payroll (d)
7/1/2007	\$ -	\$ 2,365,000	\$ 2,365,000	0.00%	Not available	Not available
7/1/2009	6,000	3,663,000	3,657,000	0.16%	Not available	Not available
7/1/2011	5,000	3,312,000	3,307,000	0.15%	1,231,148	268.61%
7/1/2013	-	5,024,000	5,024,000	0.00%	1,329,566	377.87%
7/1/2015	-	5,257,680	5,257,680	0.00%	Not available	Not available

Bloomfield Township Public Library

Other Postemployment Benefits

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended March 31, 2016

<u>For the Year Ended March 31,</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>
2012	\$ 353,672	36.7%
2013	353,412	42.8%
2014	503,682	26.5%
2015	517,090	28.3%
2016	499,266	36.4%

Bloomfield Township Public Library

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended March 31, 2016

**NOTE A: BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with GAAP for the General Fund and Gift Fund. All annual appropriations lapse at fiscal year end.

The budget for the General Fund and Gift Fund are adopted on a functional basis; expenditures at this level in excess of budgeted amounts are a violation of Michigan law. Variances with the Final Budget are shown on the Statements of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual.

During the year ended March 31, 2016, the Library incurred expenditures in the Gift Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Gift Fund			
Current			
Recreation and culture			
Library services	\$ 32,252	\$ 32,594	\$ 342