Farmington Community Library

Financial Report
with Supplemental Information
June 30, 2017

Contents

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Independent Auditor's Report

To the Board of Trustees
Farmington Community Library

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Farmington Community Library (the "Library") as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise Farmington Community 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 Library'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 Library's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Board of Trustees
Farmington Community Library

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Farmington Community Library as of June 30, 2017 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the General Fund budgetary comparison schedule, schedule of changes in the Library net pension liability and related ratios, schedule of Library contributions, and OPEB system schedule of funding progress, 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

October 3, 2017

This section of Farmington Community Library's (the "Library") annual financial report presents our discussion and analysis of the Library's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the Library's financial statements, which follow this section.

Governmental Accounting Standards Board Statement No. 34

Farmington Community Library has prepared this report in accordance with the Governmental Accounting Standards Board Statement No. 34 reporting requirement. Known as GASB Statement No. 34, the new reporting requirement includes this letter and provides a comparative analysis between the current-year and prior-year financial information. The following information presents a comparative analysis of key elements of the total governmental funds and the total enterprise funds.

Financial Highlights

- The Library's total assets are $16.3 million and net position amounted to $15.7 million, an increase in net position of approximately $501,000 from fiscal year ended June 30, 2016.
- During the year, the Library-wide governmental activity revenue generated in taxes and other revenue was approximately $501,000 more than expenses for library operations.
- General Fund revenue exceeded expenditures by $1,009,237. In addition, total General Fund expenditures decreased by $2,387,383 compared to fiscal year 2016. The decrease in expenditures resulted from an additional pension contribution made in fiscal year 2016 for $1,898,075, while there was no required contribution for fiscal year 2017. Fund balance in the General Fund increased from $1,698,075 to $2,707,312.

Overview of the Financial Statements

This annual report consists of four parts - management's discussion and analysis (this section), the basic financial statements, and required supplemental information. The basic financial statements include two kinds of statements that present different views of the Library:

- The first statement is a combination of the funds' balance sheet and government-wide statement of net position.
- The second statement is a combination of the funds' statement of revenue, expenditures, and changes in fund balances and the government-wide statement of activities.
- Fund financial statements focus on individual parts of the Library government, reporting the Library's operations in more detail than the government-wide statements.
- Government-wide financial statements provide both long-term and short-term information about the Library's overall financial status.

- The governmental fund statements tell how general government services were financed in the short term as well as what remains for future spending.
- Unlike other governmental entities, the Library has no activities requiring proprietary fund statements.
- Fiduciary fund statements provide information about the financial relationships in which the Library acts as an agent that administers the fund for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements.

Table 1 summarizes the major features of the Library's financial statements, including the portion of the Library government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Table 1: Major Features of Farmington Community Library Government-wide and Fund Financial Statements

Type of Statements	Government-wide	Governmental Fund
Scope	Entire Library government (except fiduciary funds)	Entire Library government (except fiduciary funds)
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenue, expenditures, and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of assets/liability information	All assets and liabilities, both financial and capital, short term and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year, expenditures when goods or services have been received, and payment is due during the year or soon thereafter

Government-wide Statements

The government-wide statements report information about the Library as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Library's net position and how it has changed. Net position - the difference between the Library's assets and liabilities - is one way to measure the Library's financial health or position.

- Over time, increases or decreases in the Library's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Library, you need to consider additional nonfinancial factors such as changes in the Library's property tax base.

The government-wide financial statements of the Library are classified into the following category:

- Governmental activities - The Library's basic services are included here. Property taxes and state revenue finance most of these activities.

Farmington Community Library's Condensed Balance Sheet

	Governmental Activities 2017	Governmental Activities 2016
Assets		
Current and other assets	$ 4,743,127	$ 3,819,568
Capital assets	11,566,164	12,024,047
Net OPEB asset	21,150	-
Total assets	16,330,441	15,843,615
Deferred Outflows of Resources	245,873	628,913
Total assets and deferred outflows of resources	**$ 16,576,314**	**$ 16,472,528**
Liabilities		
Current and other liabilities	$ 404,267	$ 498,971
Long-term liabilities	433,517	735,973
Total liabilities	837,784	1,234,944
Net Position		
Net investment in capital assets	11,566,164	12,024,047
Restricted	323,170	331,057
Unrestricted	3,849,196	2,882,480
Total net position	15,738,530	15,237,584
Total liabilities and net position	**$ 16,576,314**	**$ 16,472,528**

Farmington Community Library's Condensed Statement of Activities

	2017	2016
Revenue		
Property taxes	$ 5,389,587	$ 5,397,025
State of Michigan	574,971	238,134
Memorial and gifts	228,767	145,427
Fines	66,133	64,217
Other	114,505	99,666
Unrestricted investment earnings	8,500	9,802
Total revenue	6,382,463	5,954,271
Expenses		
General government	5,663,753	5,955,263
Capital outlay	213,760	265,023
Total expenses	5,877,513	6,220,286
Loss on Sale of Fixed Assets	(4,004)	(1,002)
Increase (Decrease) in Net Position	500,946	(267,017)
Net Position - Beginning of year (as restated)	15,237,584	15,504,601
Net Position - End of year	$ 15,738,530	$ 15,237,584

Total revenue increased approximately $430,000 from last year mainly as a result of an increase in gifts and state funding. Total expenses for the Library decreased approximately $343,000 or 5.5 percent. The relative consistency with prior years was due to cost-cutting efforts put into place previously.

Fund Financial Statements

The fund financial statements provide more detailed information about the Library's most significant funds - not the Library as a whole. Funds are accounting devices that the Library uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law.
- The Library Board establishes other funds to control and manage money for particular purposes (like the Employee Benefit Fund) or to show that it is properly using certain taxes and grants.

The Library has two kinds of funds:

- Governmental funds - Most of the Library's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending.

Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between the two sets of statements.

- Fiduciary fund - The Library maintains a fiduciary fund for the Metro Net Agency Activities.

Financial Analysis of the Library as a Whole

Changes in Net Position - The Library's combined net position as of June 30, 2017 is approximately $15,739,000. In comparison, last year's net position was approximately $15,238,000, an increase of approximately $501,000. The increase was due primarily to the additional gifts and state funding received, as well as cost-cutting efforts.

Governmental Activities - The Library's total expenses were approximately $5,878,000 and a loss on disposal of assets of approximately $4,000. There was revenue for services and fines ($180,000) and gifts ($229,000). General revenue consisted of property taxes ($5,390,000), penal fines and state aid ($575,000), and investment earnings ($8,500). These activities resulted in an increase in net position of $500,946, for a 3.3 percent increase.

Financial Analysis of the Library's Funds

As the Library completed the year, its governmental funds reported a combined fund balance of $4,511,835. The combined fund balance consists of $140,878 of nonspendable prepaid expense, $203,036 restricted for books, $3,883 restricted for DVDs, $112,599 restricted for the Farmington Branch, $3,652 for children services, $233,914 committed for future endowments, $5,059 for the Branch Improvement Fund, $38,364 committed for employee fringe benefits, $1,470,609 assigned for capital projects, and $2,299,841 unassigned.

General Fund Budgetary Highlights

Capital Assets

At the end of 2017, the Library had invested $11,566,164 in capital assets, net of related debt. These assets are recorded and depreciated using methods consistent with those established by the Governmental Accounting Standards Board (GASB).

Long-term Debt

The Library has $0 in bonds and notes outstanding for governmental activities at year end.

Budgets

During the 2016-17 fiscal year, the board of trustees approved a $530,000 budget for replacing the carpeting and painting of the Twelve Mile branch. This project will be finished in the 2017-18 fiscal year.

In fiscal year 2015-2016, the board of trustees approved a $200,000 budget to refurbish the downtown Farmington branch. This project is 97 percent complete.

Economic Factors and Next Year's Budgets

Financial stability for operating monies has been the primary goal of the trustees' strategic plan. This was accomplished at the May 2005 election, with voter approval of a dedicated operating millage of 1 mill for 20 years until 2024. These library summer taxes were levied and collected beginning on July 1, 2005, replacing the quarterly appropriations from the cities of Farmington and Farmington Hills. This is in addition to the .6 mil (.5828 with Headlee reduction) approved in 1998 for 15 years, expiring with the December 2012 levy.

In the November 2011 election, voters approved the renewal of the .5856 mill for 20 years until 2032. With this continued funding comes the financial stability for the Library Board to plan and implement our service goals, even as the Library faces reduced property tax revenue and reduced interest earnings.

The Library continues to review all expenditures for value with focus on cost reductions while meeting core resident requirements and services. This comes at a time when Library use is high with over one million items checked out this year. Property tax revenue growth has been slow. Recovery of lost revenue due to the economic downturn may take years. However, return of personal property tax revenue by the State of Michigan enabled the Library to move forward with much needed capital improvements.

The generosity of the Friends of the Farmington Community Library (the "Friends") added resources and materials:

- The Library received a $35,000 grant from Bosch Company, administered through the Friends, which helped to purchase STREAM (Science, Technology, Reading, Engineering, Arts, and Math) materials. The grant will also enable the Library to purchase iPads for patron checkout.
- The Farmington/Farmington Hills Special Services Activity Guide which promotes participation in library programs continues to be funded by the Friends. The Friends were also instrumental in sponsoring highly popular programs, such as Community Sings, Songwriter Sunday series, and Summer Reading.
- "1000 Books Before Kindergarten," an early childhood reading initiative, was launched in October 2016 with books and related material purchased by the Friends.

The Library also received a very generous donation of approximately $125,000 from the estate of a long-time resident. This gift will enable the Library to continue to initiate improvements at the main branch during the next fiscal year.

The board of trustees approved use of fund balance for the branch improvement project to make necessary upgrades to furniture, carpeting, and fixtures. The branch was reconfigured to allow for a much-need teen space. This project is in its final stages and is 97 percent complete.

A significant structural repair was made to the crumbling sidewalks at the Main Library.

Other upgrades included new computers, computer software, and a Library Document System (LDS), which allows patrons to fax and scan without staff assistance.

The Library's project to upgrade security for staff and patrons continued with the final phase, which consists of installing an alarm (intrusion) system at both branches of the Library.

The board approved use of 2016-17 operating funds to start a multi-year project to upgrade carpeting and paint at the Twelve Mile branch. Unexpected funds from the State of Michigan to restore lost taxes were used to fund this project.

There continue to be significant savings due to changes made by the Library Board to health care. During the fiscal year, the Library made additional contributions totaling $89,000 to the future funding of retiree health care.

Due to unpredictable increases in the healthcare costs, the board of trustees redesigned the retiree healthcare benefit, thereby significantly reducing legacy costs. Current retirees were protected from any loss of benefits and the current retiree plan is sufficiently funded to meet and exceed Governor Snyder's recommended funding levels.

The reality of our aging buildings will necessitate increased expenditures for maintenance and capital improvement. Plans for 2017-2018 include replacement of carpeting, new furnishings throughout the public areas of the main branch, and much-needed landscaping improvements.

Next Year's Budget

Economic forecasts for 2017-2018 from both cities assume a slight increase in property values. However, the Headlee rollback slightly reduced the amount the Library expected to receive in property tax revenue. The Library will continue to work toward the Library Board's fiscal objectives, as follows:

- Optimize alternative resource funding, including additional philanthropy and charitable giving to the Library.
- Demonstrate wise stewardship of library resources by pursuing efficiencies for operations and maintenance of infrastructure and expansion of the Capital Improvement Plan.
- Continue to monitor changing needs of library patrons to insure the Library Strategic Plan meets future trends in library usage especially in fulfilling demand for collaborative spaces.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the library director, 32737 West Twelve Mile Road, Farmington Hills, MI 48334-3302.

Farmington Community Library

Balance Sheet/Statement of Net Position
June 30, 2017

	Modified Accrual Basis					
	Major Funds					
	General Fund	Capital Projects - Capital Reserve Fund	Nonmajor Endowment Special Revenue Fund	Total	Adjustments (Note 2)	Statement of Net Position - Full Accrual
Assets						
Cash and cash equivalents (Note 3)	$ 2,492,432	$ 1,477,508	$ -	$ 3,969,940	$ -	$ 3,969,940
Investments (Note 3)	-	-	333,914	333,914	-	333,914
Receivables	105,147	-	-	105,147	-	105,147
Due from other government agencies	186,349	-	-	186,349	-	186,349
Due from other funds (Note 7)	6,899	-	-	6,899	-	6,899
Prepaid expenses and other assets	140,878	-	-	140,878	-	140,878
Capital assets (Note 5):						
Assets not subject to depreciation	-	-	-	-	293,459	293,459
Assets subject to depreciation	-	-	-	-	11,272,705	11,272,705
Net OPEB asset (Note 10)	-	-	-	-	21,150	21,150
Total assets	2,931,705	1,477,508	333,914	4,743,127	11,587,314	16,330,441
Deferred Outflows of Resources -						
Deferred outflows related to pension	-	-	-	-	245,873	245,873
Total assets and deferred outflows	**$ 2,931,705**	**$ 1,477,508**	**$ 333,914**	**$ 4,743,127**	11,833,187	16,576,314
Liabilities						
Accounts payable	$ 148,994	$ -	$ -	$ 148,994	-	148,994
Due to other funds	-	6,899	-	6,899	-	6,899
Accrued liabilities and other	75,399	-	-	75,399	-	75,399
Noncurrent liabilities:						
Due within one year (Note 6)	-	-	-	-	172,975	172,975
Due in more than one year:						
Compensated absences (Note 6)	-	-	-	-	43,244	43,244
Net pension liability (Note 8)	-	-	-	-	390,273	390,273
Total liabilities	224,393	6,899	-	231,292	606,492	837,784
Equity						
Fund balance:						
Nonspendable - Prepaid expenses	140,878	-	-	140,878	(140,878)	-
Restricted:						
Books	203,036	-	-	203,036	(203,036)	-
DVDs	3,883	-	-	3,883	(3,883)	-
Farmington Branch	12,599	-	100,000	112,599	(112,599)	-
Children services	3,652	-	-	3,652	(3,652)	-
Committed:						
Future endowments	-	-	233,914	233,914	(233,914)	-
Capital projects	5,059	-	-	5,059	(5,059)	-
Employee fringe benefits	38,364	-	-	38,364	(38,364)	-
Assigned - Capital projects	-	1,470,609	-	1,470,609	(1,470,609)	-
Unassigned	2,299,841	-	-	2,299,841	(2,299,841)	-
Total fund balance	2,707,312	1,470,609	333,914	4,511,835	(4,511,835)	-
Total liabilities and fund balance	**$ 2,931,705**	**$ 1,477,508**	**$ 333,914**	**$ 4,743,127**		

Farmington Community Library

Balance Sheet/Statement of Net Position (Continued)
June 30, 2017

	Modified Accrual Basis					
	Major Funds					
	General Fund	Capital Projects - Capital Reserve Fund	Nonmajor Endowment Special Revenue Fund	Total	Adjustments (Note 2)	Statement of Net Position - Full Accrual
Net Position						
Net investment in capital assets					$ 11,566,164	$ 11,566,164
Restricted:						
Books					203,036	203,036
DVDs					3,883	3,883
Farmington Branch					112,599	112,599
Children services					3,652	3,652
Unrestricted					3,849,196	3,849,196
Total net position					**$ 15,738,530**	**$ 15,738,530**

Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities
Year Ended June 30, 2017

	Modified Accrual Basis					
	Major Funds					
	General Fund	Capital Projects - Capital Reserve Fund	Nonmajor Endowment Special Revenue Fund	Total	Adjustments (Note 2)	Statement of Activities - Full Accrual
Revenue						
Taxes	$ 5,389,587	$ -	$ -	$ 5,389,587	$ -	$ 5,389,587
Intergovernmental revenue - State of Michigan	574,971	-	-	574,971	-	574,971
Memorials and gifts	228,767	-	-	228,767	-	228,767
Fines	66,133	-	-	66,133	-	66,133
Other	114,505	-	-	114,505	-	114,505
Investment earnings (loss)	5,351	3,684	(535)	8,500	-	8,500
Total revenue	6,379,314	3,684	(535)	6,382,463	-	6,382,463
Expenditures						
General government:						
Salaries	2,810,522	-	-	2,810,522	(7,346)	2,803,176
Fringe benefits	920,245	-	-	920,245	60,903	981,148
Professional services	45,051	-	-	45,051	-	45,051
Utilities	209,445	-	-	209,445	-	209,445
Automation-related expenditures	39,662	-	-	39,662	-	39,662
Insurance	68,621	-	-	68,621	-	68,621
Repairs and maintenance	291,322	-	-	291,322	-	291,322
Gift Fund purchases	9,312	-	-	9,312	-	9,312
Other operating expenditures	246,800	-	-	246,800	-	246,800
TLN/Internet	18,718	-	-	18,718	-	18,718
Depreciation	-	-	-	-	950,498	950,498
Capital outlay:						
Capital improvements	125,295	-	-	125,295	(123,274)	2,021
Books, periodicals, and library materials	585,084	-	-	585,084	(373,345)	211,739
Total expenditures	5,370,077	-	-	5,370,077	507,436	5,877,513
Other Financing Uses - Loss on sale of fixed assets	-	-	-	-	(4,004)	(4,004)
Net change in fund balances/net position	1,009,237	3,684	(535)	1,012,386	(511,440)	500,946
Fund Balances/Net Position - Beginning of year	1,698,075	1,466,925	334,449	3,499,449	11,738,135	15,237,584
Fund Balances/Net Position - End of year	**$ 2,707,312**	**$ 1,470,609**	**$ 333,914**	**$ 4,511,835**	**$11,226,695**	**$15,738,530**

Statement of Fiduciary Assets and Liabilities
June 30, 2017

	Metro Net Agency Fund
Assets	
Cash and cash equivalents	$ 177,460
Receivables	23,889
Total assets	**$ 201,349**
Liabilities	
Due to other funds	$ 186,349
Due to members	15,000
Total liabilities	**$ 201,349**

Note 1 - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by Farmington Community Library:

Reporting Entity

Farmington Community Library (the "Library") was established in 1956 and serves the Farmington communities through two libraries located in Farmington and Farmington Hills. Farmington Community Library is governed by an appointed eight-member board of trustees. It provides resources for the informational, educational, cultural, and recreational needs of its patrons. The residents of both cities approved an independent tax millage in 2005 that allows the Library to no longer be dependent on subsidies from the cities after the year ended June 30, 2005.

The accompanying financial statements present the Library and its component units, entities for which the Library is considered to be financially accountable. There are no component units for the Library.

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 government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Intergovernmental revenue, grants, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

Fund Accounting

The Library accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources; separate funds allow us to show the particular expenditures for which specific revenue was used. The various funds are aggregated into two broad fund types:

Note 1 - Summary of Significant Accounting Policies (Continued)

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, Special Revenue Funds, Capital Project Funds, and Permanent Funds. 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 general government services, other than those specifically assigned to another fund.
- The Capital Reserve Fund is used to account for funds that are assigned for expenditure for capital projects.

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include assets held in a trust or as an agent for other, including the Metro Net Agency Fund.

Interfund activity: During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Basis of Accounting

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

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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 fiduciary fund uses the economic resources measurement focus and 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.

Specific Balances and Transactions

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market prices.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade, notes, contracts, and property tax receivables are shown net of an allowance for uncollectible amounts.

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type 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 $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

Property, plant, equipment, and books of the Library are depreciated using the straight-line method over the following useful lives:

Capital Asset Class	Lives
Buildings and improvements	15-39 years
Vehicles	5 years
Books and other resources	10 years
Equipment and furniture	3 to 7 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Library reports deferred outflows related to pension.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Library does not report any deferred inflows.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted gifts or grant proceeds) 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, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government'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.

Property Tax Revenue

Property taxes attach as an enforceable lien on property as of December 31 each year. Library taxes, levied and immediately due on July 1, are collected by the cities of Farmington and Farmington Hills without penalty through September 15, and with penalty thereafter. Library property tax revenue is recognized as revenue in the fiscal year levied to the extent that it is budgeted and available for the financing of operations.

The 2016 taxable valuation of the library communities totaled $3.439 billion (a portion of which is abated and a portion of which is captured by the TIFA and DDA), on which taxes levied consisted of 1.5781 mills for operating purposes. One operating mill of 0.9953 expires in the year 2024, while the other .5828 mills expire in 2032. This resulted in $5,389,587 for operating collections, net of Michigan Tax Tribunal adjustments, which is recognized in the General Fund.

Pension and Other Postemployment Benefit Costs - The Library offers both pension and retiree healthcare benefits to retirees.

Note 1 - Summary of Significant Accounting Policies (Continued)

The Library offers a defined benefit pension plan to its full- and part-time employees hired prior to 1999. Employees hired after 1999 are enrolled in a defined contribution plan to which the employer contributes 5 percent of gross wages per pay period. As there is no vesting period, the Library has no fiduciary rights or responsibilities for the defined contribution plan other than the payment of the 5 percent gross wages. The Library records a net defined benefit pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For purposes 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 Library receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, OPEB costs are recognized as contributions are made. For the government-wide statements, the Library reports the full accrual cost equal to the current year required contribution, adjusted for interest and “adjustment to the ARC” on the beginning of year underpaid amount, if any.

Compensated Absences (Vacation and Sick Leave) - Library employees have a vested right to receive payment for unused vacation and sick leave under conditions specified in the personnel policy manual. All vacation and applicable sick leave is accrued when incurred at the government-wide level. A liability for these amounts is reported in governmental funds only for employee termination at year end.

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

Nonspendable: Amounts that are not in spendable form or are legally or contractually required to be maintained intact

Restricted: Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose

Committed: Amounts that have been formally set aside by the board of trustees for use for specific purposes. Commitments are made and can be rescinded only via resolution of the board of trustees.

Assigned: Intent to spend resources on specific purposes expressed by the governing body

Note 1 - Summary of Significant Accounting Policies (Continued)

Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

As of June 30, 2017, the Library had $2,299,841 in unassigned fund balance in the General Fund. Of this amount, $177,822 is gift funds. This $177,822 of unassigned gift funds combined with the $223,170 of restricted gift funds leaves a total of $400,992 in the Library's gift account at year end.

Endowment Special Revenue Fund - The fund was established to account for donations restricted for purpose. The board resolved in fiscal year 2012 that only investment earnings can be used for library special projects as periodically determined by the Library Board. Currently, the portion of the donations that have a purpose restriction is shown as restricted fund balance. The Library Board has committed the remaining fund balance for future endowments. These funds are set aside for the Library Board to use for any intent in the future. The funds may not be spent until the Library Board releases them for a specific purpose. The Library has no nonspendable permanent endowments at this time.

Note 2 - Reconciliation of Individual Fund Columns of the Statement of Net Position/Statement of Activities

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

Fund Balance Reported in Governmental Funds	$ 4,511,835
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	11,566,164
Net pension liability is not due and payable in the current period and is not reported in the funds	(390,273)
Certain pension contributions and changes in pension plan net position are reported as deferred outflows of resources in the statement of net position, but are reported as expenses in the governmental funds	245,873
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	(216,219)
Net OPEB asset not included as an asset in the governmental funds	21,150
Net Position of Governmental Activities	**$ 15,738,530**

Note 2 - Reconciliation of Individual Funds Columns of the Statement of Net Position/Statement of Activities (Continued)

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

Net Change in Fund Balances - Total Governmental Funds	$ 1,012,386
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:	
Capital outlay less transfers from construction in progress to depreciable assets	496,619
Depreciation expense	(950,498)
Net book value of assets disposed of	(4,004)
Decrease in net OPEB liability is not included in governmental funds	185,170
Increase in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment	7,346
Changes in the net pension liability and the deferred outflow related to the pension are not included in governmental funds	(246,073)
Change in Net Position of Governmental Activities	**$ 500,946**

Note 3 - Deposits and Investments

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

Note 3 - Deposits and Investments (Continued)

In 1996, the Library established an Endowment Fund and adopted an investment policy for funds received by the Endowment Fund. The Endowment Fund investment policy follows Michigan Public Act 20 of 1943.

The Library has designated two banks and one financial institution for the deposit of its funds.

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. The Library does have a deposit policy for custodial credit risk which limits investments to those authorized by laws governing surplus funds in the state of Michigan. It also requires portfolio diversification, use of only institutions with FDIC offerings, and holding securities in the Library's name. At year end, the Library had $3,719,746 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.

Custodial Credit Risk of Investments - 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. The Library does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the Library's name:

Investment Type	Carrying Value	How Held
Governmental security money market mutual funds	$ 2,124	Counterparty
Governmental security fixed-income mutual funds	60,853	Counterparty
Money market	270,937	Counterparty
Total investments	$ 333,914	

Note 3 - Deposits and Investments (Continued)

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

Primary Government	Fair Value	6-10 Years
Fixed-income security pool	$ 60,853	$ 60,853

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

Investment	Fair Value	Rating	Rating Organization
Primary Government			
Fixed-income security pool	$ 60,853	Not rated	N/A
Bank investment pool	35,577	A-2	S&P

Concentration of Credit Risk - The Library places no limit on the amount it may invest in any one issuer. None of the Library's investments are concentrated in any one issuer more than 5 percent.

Note 4 - Fair Value Measurement

The Library categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Library’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Note 4 - Fair Value Measurement (Continued)

Investments in Entities that Calculate Net Asset Value per Share

The Library holds shares or interests in investment companies in which the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At June 30, 2017, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
U.S. government fixed income	$ 60,853	$ -	N/A	None
Bank investment pool	35,577	-	N/A	None
Total investments measured at NAV	$ 96,430	$ -		

The U.S. government fixed-income class includes investments in mutual funds that invest in U.S. government bonds. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

The bank investment pool contains investments in the Comerica J Fund, which is not registered with the SEC and does not issue a separate report. The fair value of the position in the pool is not the same as the value of the pool shares, since for pool does not meet the requirements under GASB 79 to report its value for financial reporting purposes at amortized cost. The amortized cost value reported is within 0.5 percent for fair value.

Note 5 - Capital Assets

Capital asset activity of the Library's governmental activities was as follows:

Governmental Activities	Balance July 1, 2016	Additions	Disposals	Balance June 30, 2017
Capital assets not being depreciated:				
Artwork	$ 163,049	$ -	$ -	$ 163,049
Land	130,410	-	-	130,410
Subtotal	293,459	-	-	293,459
Capital assets being depreciated:				
Buildings and sites	17,410,283	23,278	-	17,433,561
Furniture and equipment	2,737,777	99,996	(31,613)	2,806,160
Books	5,594,760	373,345	(411,485)	5,556,620
Vehicles	61,003	-	-	61,003
Subtotal	25,803,823	496,619	(443,098)	25,857,344
Accumulated depreciation:				
Buildings and sites	7,987,926	414,142	-	8,402,068
Furniture and equipment	2,344,689	105,946	(27,609)	2,423,026
Books	3,696,692	428,253	(411,485)	3,713,460
Vehicles	43,928	2,157	-	46,085
Subtotal	14,073,235	950,498	(439,094)	14,584,639
Net capital assets being depreciated	11,730,588	(453,879)	(4,004)	11,272,705
Net capital assets	$ 12,024,047	$ (453,879)	$ (4,004)	$ 11,566,164

Note 6 - Compensated Absences

Compensated absence activity for the year ended June 30, 2017 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Accumulated compensated absences	$ 223,565	$ 261,252	$ (268,598)	$ 216,219	$ 172,975

Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund.

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Capital Reserve Fund	$ 6,899

Note 7 - Interfund Receivables, Payables, and Transfers (Continued)

This balance results from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Note 8 - Agent Defined Benefit Pension Plan Description

Plan Description - The Library participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS of Michigan), that covers all employees of the Library hired and enrolled in MERS prior to July 1999. This plan requires active employees to work a minimum of 80 hours per month. MERS of Michigan 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 of Michigan issues a publicly available financial report which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmichigan.com or in writing to MERS of Michigan at 1134 Municipal Way, Lansing, Michigan 48917.

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 of Michigan.

The MERS plan covers general employees.

Retirement benefits for employees are calculated as credited service at the time of membership termination multiplied by 2.0 percent of the employee’s final average compensation (FAC). Normal retirement age is 60 with 10 or more years of service. The plan also provides for early retirement at 55 with 25 or more years of service. The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits may apply if certain conditions are met. Benefits for a duty death is a minimum of 25 percent of the employee’s FAC. Benefits for a nonduty death are 85 percent of employee's straight-life benefit. The spouse or beneficiary may also elect to withdraw employee contributions. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms provide for annual cost-of-living adjustments to each employee’s retirement allowance subsequent to the employee’s retirement date. The annual adjustments are 2.5 percent, noncompounding.

Note 8 - Agent Defined Benefit Pension Plan Description (Continued)

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

Inactive plan members or beneficiaries currently receiving benefits	29
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	8
Total employees covered by MERS of Michigan	40

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 of Michigan 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 of Michigan 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 plan has two classes of employees. One class is not required to make contributions. The other class is required to contribute 5 percent of gross wages; for the fiscal year ended June 30, 2017, the contribution was $14,391.

Employer contributions for the year ended June 30, 2017 totaled $0. The changes in net pension liability table shown below uses a calendar year of January 1, 2016 through December 31, 2016 to be in compliance with GASB 68.

Net Pension Liability

The net pension liability reported at June 30, 2017 was determined using a measure of the total pension liability and the pension net position as of December 31, 2016. The December 31, 2016 total pension liability was determined by an actuarial valuation performed as of that date.

Note 8 - Agent Defined Benefit Pension Plan Description (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
Balance at December 31, 2015	$ 8,676,506	$ 8,149,266	$ 527,240
Service cost	47,854	-	47,854
Interest	672,471	-	672,471
Differences between expected and actual experience	43,333	-	43,333
Contributions - Employee	-	14,391	(14,391)
Net investment income	-	904,095	(904,095)
Benefit payments, including refunds	(589,089)	(589,089)	-
Administrative expenses	-	(17,861)	17,861
Net changes	174,569	311,536	(136,967)
Balance at December 31, 2016	$ 8,851,075	$ 8,460,802	$ 390,273

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

For the year ended June 30, 2017, the Library recognized pension expense of $246,073. At June 30, 2017, the Library reported deferred outflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 245,873

Amounts reported as deferred outflows or inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2018	$ 107,183
2019	107,183
2020	86,678
2021	(55,171)
Total	$ 245,873

Note 8 - Agent Defined Benefit Pension Plan Description (Continued)

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

Inflation	2.5 %	
Salary increases	3.8 %	In the long term
Investment rate of return	7.75 %	Net of pension plan investment expense, including inflation

Mortality rates were based on a blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables all with a 50 percent male and 50 percent female blend. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table with a 50 percent male and 50 percent female blend is used to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of the most recent actuarial experience study covering the period from January 1, 2009 through December 31, 2013.

Discount Rate - The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 8 - Agent Defined Benefit Pension Plan Description (Continued)

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2015, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	58 %	6.7 %
Global fixed income	20	1.8
Real assets	12	7.7
Diversifying strategies	10	5.5

The preceding target allocation was amended as of January 1, 2017 to reduce the previous allocation to global equity and global fixed income and to increase the allocation of real assets and diversifying strategies. The target allocation as of January 1, 2017 will be 55.5 percent global equity, 18.5 percent global fixed income, 13.5 percent real assets, and 12.5 percent diversifying strategies.

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 8.00 percent, as well as what the Library's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00 percent) or 1 percentage point higher (9.00 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability of the Library	$ 1,187,488	$ 390,273	$ (302,303)

Note 8 - Agent Defined Benefit Pension Plan Description (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 or resources related to pension, and pension expense, information about the plan's fiduciary net position and addition to/deduction 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 9 - Defined Contribution Pension Plan

During the year ended June 30, 2000, the Library began the Farmington Community Library Defined Contribution Plan as administered by MERS of Michigan. All regular employees of the Library hired after July 15, 1999 and working 80 hours or more per month are eligible to participate in the plan. Employees hired before July 15, 1999 had a one-time option to remain with the MERS Defined Benefit Pension Plan or to transfer their retirement accruals to the defined contribution plan. The transfer occurred on March 29, 2000.

The plan provides that the Library will contribute 5 percent of eligible employees' gross wages to the plan, and employees may contribute after-tax wages to the plan. The contributions are self-directed by the employees among several investment options. Contributions are fully vested at the time of the contribution. Employees may withdraw pension accruals upon termination from the Library. For the year ended June 30, 2017, employer contributions to the plan were $92,862 and employee contributions to the plan were $19,896.

Note 10 - Other Postemployment Benefits

Plan Description - Beginning with the fiscal year 2005-2006, the Library elected to participate in the MERS Retiree Health Fund as the method to fund retiree health care for current employees. The MERS Retiree Health Fund plan is an agent multiemployer defined benefit plan. The Library provides postemployment Medicare supplement health benefits to its employees who were considered full-time employees as of November 30, 2013, and who retired with at least 10 years of continuous full-time service, attained the age of 65, and were eligible for Medicare. The MERS Retiree Health Fund plan is an agent multiemployer defined benefit plan. Retirees participating in this plan are required to make a contribution towards costs depending on their number of years of service.

Note 10 - Other Postemployment Benefits (Continued)

During December 2016, the Library began participating in the MERS Health Care Savings Program. All active full-time employees eligible for participation in the MERS Retiree Health Fund were given the option to elect to be transferred to the new plan. These employees have until January 1, 2020 to make their election. As of June 30, 2016, only one active employee has not elected to be transferred into the new plan. Please refer to Note 11 for details of the MERS Health Care Savings Program.

Funding Policy - The Library pays a certain percentage of premium costs of coverage for postemployment health benefits for certain retirees that were full time as well as reimburses a portion of the retirees' Medicare premiums. The Library has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis).

Funding Progress - For the year ended June 30, 2017, the Library has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 2016. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	$ 58,534
Interest on the prior year's net OPEB obligation	5,138
Less adjustment to the annual required contribution	(12,353)
Annual OPEB cost	51,319
Amounts contributed:	
Payments of current premiums	(147,489)
Advance funding	(89,000)
Decrease in net OPEB obligation	(185,170)
OPEB obligation - Beginning of year	164,020
OPEB asset - End of year	$ (21,150)

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current and two preceding years were as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed	Net OPEB (Obligation) Asset
6/30/15	6/30/14	$ 212,401	162.7 %	$ (303,983)
6/30/16	6/30/15	202,464	166.7	(164,020)
6/30/17	12/31/16	58,534	404.0	21,150

Note 10 - Other Postemployment Benefits (Continued)

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/14	$ 2,952,291	$ 5,009,807	$ 2,057,516	58.9 %	N/A	N/A
6/30/15	3,345,935	5,405,942	2,060,007	61.9	N/A	N/A
12/31/16	1,464,817	1,958,612	493,795	74.8	-	DIV/0

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

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

In the June 30, 2016 actuarial valuation, the entry age level percent of pay actuarial cost method was used. The actuarial assumptions included a 7.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after eight years. The UAAL is being amortized as a level percent of pay on a closed basis for all covered members. The remaining amortization period at December 31, 2016 was 30 years.

Note 10 - Other Postemployment Benefits (Continued)

Additional Information - Prior to the implementation of GASB No. 45, the Library showed responsibility and began actuarially funding the OPEB liability in fiscal year 2006 in addition to paying current premiums. Payments prior to the year ended June 30, 2010 are as follows:

Fiscal Year End	Actuarial Valuation Date*	Annual Required Contribution	Advance Funding	Payment of Premiums
6/30/06	12/31/04	$ 328,295	$ 328,295	$ 67,616
6/30/07	12/31/04	328,295	328,295	97,011
6/30/08	12/31/04	328,295	328,295	122,907
6/30/09	12/31/04	328,295	328,295	168,563

* The actuary report for the year ended December 31, 2004 did not address contributions for the Library's fiscal years ended 2007-2010; however, the Library used this valuation's ARC as it was not required to obtain a valuation until fiscal year 2010 when GASB No. 45 was implemented.

Note 11 - Defined Contribution Other Postemployment Benefits

During the year ended June 30, 2017, the Library began the Michigan Employees' Retirement System of Michigan (MERS) Health Care Savings Program. This is a defined contribution plan administered by MERS. All full-time employees hired after December 2013, or employees that were full time as of December 2013 who elected to waive their eligibility in the defined benefit plan are eligible for the plan after completing 90 days of service. The plan provides that the Library will contribute 5 percent of eligible employees' gross wages to the plan. Employees participating in the plan are required to contribute 3 percent of gross wages.

During the year ended June 30, 2017, the Library made contributions of $12,901 and the plan members contributed $7,740 to the plan.

Note 12 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Library has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Library maintains a self-insured plan for dental, optical, and hearing impairment medical claims. The Library reimburses each employee for 75 percent of claims up to a maximum of $1,358 out-of-pocket expense less a $25 deductible per year. Therefore, the maximum cost to the Library is $1,000 per full-time employee. Total claims expense for the year ended June 30, 2017 amounted to $19,213. The liability for unpaid claims was immaterial at June 30, 2017.

Note 13 - Joint Venture

The Metro Net Library Consortium (the "Consortium" or Metro Net) is a Michigan nonprofit corporation incorporated in January 1994, whose members are seven public libraries: Baldwin (Birmingham), Bloomfield Township, Canton, Farmington Community, Rochester Hills, Southfield, and West Bloomfield Township. The Consortium was founded to promote resource sharing by creating a flexible environment conducive to experimentation, technology innovations, and progressive approaches to library service. These members pay an annual membership fee to the Consortium for shared services.

Farmington Community Library is the principal office of Metro Net, with the Farmington Community Library Director serving as the Consortium's fiscal agent and on the Consortium's board of directors. The agency activities of Metro Net are reported in the Fiduciary Agency Fund.

Total Metro Net net assets held by the Library as fiscal agent at June 30, 2017 amounted to $15,000.

Note 14 - Upcoming Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Library to recognize on the face of the financial statements its net OPEB liability. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Library is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Library's financial statements for the year ending June 30, 2018.

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities,* which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. 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 June 30, 2020.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes	$ 5,453,490	$ 5,453,490	$ 5,389,587	$ (63,903)
Intergovernmental revenue - State of Michigan	194,985	566,045	574,971	8,926
Memorials and gifts	125,000	125,000	228,767	103,767
Fines	60,000	60,000	66,133	6,133
Other	100,500	100,500	114,505	14,005
Investment income	4,600	4,600	5,158	558
Total revenue	5,938,575	6,309,635	6,379,121	69,486
Expenditures				
Current:				
Salaries	2,949,102	2,949,102	2,810,522	138,580
Fringe benefits	973,076	955,276	901,032	54,244
Professional services	75,000	55,000	45,051	9,949
Utilities	232,000	204,000	209,445	(5,445)
Automation-related expenditures	45,000	40,000	39,662	338
Insurance	72,800	68,621	68,621	-
Repairs and maintenance	275,000	344,000	291,322	52,678
Gift Fund purchases	-	-	9,312	(9,312)
Other operating expenditures	266,065	297,689	246,800	50,889
TLN/Internet	20,000	18,000	18,718	(718)
Capital outlay:				
Capital improvements	382,208	702,208	125,295	576,913
Books, periodicals, and library materials	638,532	665,946	585,084	80,862
Total expenditures	5,928,783	6,299,842	5,350,864	948,978
Other Financing Uses - Transfers out	(22,000)	(22,000)	(22,000)	-
Net Change in Fund Balance	(12,208)	(12,207)	1,006,257	1,018,464
Fund Balance - Beginning of year	1,688,244	1,688,244	1,688,244	-
Fund Balance - End of year	**$ 1,676,036**	**$ 1,676,037**	**$ 2,694,501**	**$ 1,018,464**

Budgetary Information - The Library employs the following procedures in establishing the budgetary data reflected in the financial statements:

- The library director submits to the board of trustees a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Appropriations are made on an object (line-item) basis.
- The budget is legally enacted through passage of a resolution by the board of trustees.
- Formal budgetary integration is employed as a management control device during the year for the General Fund.
- Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budget amounts included in the financial statements are as originally adopted or as amended by the board during the year. The legal level of budgetary control adopted by the governing body is the line item level. Individual amendments were not material in relation to the original appropriations. Appropriations unused at June 30 are not carried forward to the following year.

A reconciliation of the budgetary comparison schedules to the fund-based statement of changes in fund balance is as follows:

	Total Revenue	Total Expenditures	Other Financing Uses
Amounts per operating statement	$ 6,379,314	$ 5,370,077	$ -
Less amounts related to Employee Benefits Fund (grouped with General Fund per GASB No. 54)	(193)	(19,213)	-
Plus amounts transferred from General Fund to the Employee Benefits Fund	-	-	(22,000)
Amounts per budget statement	$ 6,379,121	$ 5,350,864	$ (22,000)

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Library incurred line item expenditures that were in excess of the amounts budgeted for utilities, Gift Fund purchases, and TLN/internet.

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)
6/30/14	$ 2,952,291	$ 5,009,807	$ 2,057,516	58.9
6/30/15	3,345,935	5,405,942	2,060,007	61.9
12/31/16	1,464,817	1,958,612	493,795	74.8

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2016, the latest actuarial valuation, follows:

Amortization method	Level percent
Amortization period (closed)	30 years
Actuarial assumptions:	
Investment rate of return	7.0%
Discount rate	7.0%
*Includes healthcare trend inflation at	5.0% - 8.5%
Cost-of-living adjustments	None

Required Supplemental Information
Schedule of Changes in the Library Net Pension Liability and Related Ratios
Last Ten Fiscal Years

	2017	2016	2015
Total Pension Liability			
Service cost	$ 47,854	$ 50,467	$ 69,020
Interest	672,471	658,154	641,068
Changes in benefit terms	-	-	-
Differences between expected and actual experience	43,333	(226,852)	-
Changes in assumptions	-	503,123	-
Benefit payments, including refunds	(589,089)	(521,543)	(465,885)
Net Change in Total Pension Liability	174,569	463,349	244,203
Total Pension Liability - Beginning of year	8,676,506	8,213,157	7,968,954
Total Pension Liability - End of year	**$ 8,851,075**	**$ 8,676,506**	**$ 8,213,157**
Plan Fiduciary Net Position			
Contributions - Employer	$ -	$ 2,069,513	$ 125,448
Contributions - Member	14,391	20,516	23,933
Net investment income (loss)	904,095	(93,328)	412,809
Administrative expenses	(17,861)	(14,631)	(15,108)
Benefit payments, including refunds	(589,089)	(521,543)	(465,885)
Net Change in Plan Fiduciary Net Position	311,536	1,460,527	81,197
Plan Fiduciary Net Position - Beginning of year	8,149,266	6,688,739	6,607,542
Plan Fiduciary Net Position - End of year	**$ 8,460,802**	**$ 8,149,266**	**$ 6,688,739**
Library's Net Pension Liability - Ending	**$ 390,273**	**$ 527,240**	**$ 1,524,418**
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	95.59 %	93.92 %	81.44 %
Covered Employee Payroll	$ 442,696	$ 468,661	$ 631,821
Library's Net Pension Liability as a Percentage of Covered Employee Payroll	88.2 %	112.5 %	241.3 %

Required Supplemental Information
Schedule of Library Contributions
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	$ - *	$ 96,492	$ 149,892	$ 101,004	$ 78,732	$ 70,380	$ 77,964	$ 48,336	$ 83,988	$ 96,324
Contributions in relation to the actuarially determined contribution	-	1,994,567	149,892	101,004	78,732	70,380	77,964	48,336	83,988	96,324
Contribution Deficiency (Surplus)	$ -	$ (1,898,075)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Employee Payroll	$ 468,661	$ 468,661	$ 631,821	$ 706,875	$ 837,518	$ 851,661	$ 845,144	$ 850,556	$ 825,941	$ 860,435
Contributions as a Percentage of Covered Employee Payroll	- %	425.6 %	23.7 %	14.3 %	9.4 %	8.3 %	9.2 %	5.7 %	10.2 %	11.2 %

Notes to Schedule of Library Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of June 30, 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	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	23 years
Asset valuation method	Five-year smoothed
Inflation	2.50 percent
Salary increases	1.25 percent
Investment rate of return	7.75 percent
Retirement age	55-60 years of age
Mortality	50 percent female/50 percent male 1994 Group Annuity Mortality Table
Other information	None

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October 3, 2017

To the Board of Trustees and Management
Farmington Community Library

We have audited the financial statements of Farmington Community Library (the "Library") as of and for the year ended June 30, 2017 and have issued our report thereon dated October 3, 2017. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 4, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

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

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

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 24, 2017.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Library are described in Note 1 to the financial statements.

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

We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were the estimated annual required contribution and the actuarial accrued liability related to the pension and the retiree healthcare funding liabilities. Management's estimates of the pension liability and expense as well as the retiree healthcare liability are based on discount rates, rate of return, and other assumptions, which are used by an actuary to calculate the liabilities. While the actuary uses the assumptions to calculate the total pension liability and the annual required contribution for retiree healthcare funding, it is management's responsibility to assess whether the assumptions made are reasonable. The discount rate currently used by the actuary to calculate the total pension liability is 8.00 percent. The discount rate currently used by the actuary to calculate the annual required contribution for retiree healthcare funding is 7.00 percent. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Disagreements with Management

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not detect any misstatements as a result of audit procedures.

Significant Findings or Issues

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 3, 2017.

Management Consultations with Other Independent Accountants

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

This information is intended solely for the use of the board of trustees and management of the Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

David Helisek

Kari Shea