Farmington Community Library

Financial Report
with Supplemental Information
June 30, 2018

Contents

plante moran

Plante & Moran, PLLC
Suite 400
1000 Oakbrook Drive
Ann Arbor, MI 48104
Tel: 734.665.9494
Fax: 734.665.0664
plantemoran.com

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, 2018 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Farmington Community Library as of June 30, 2018 and the respective changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the basic financial statements, during the year ended June 30, 2018, the Library adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which established accounting and financial reporting standards for defined benefit OPEB plans provided to the employees of governmental employers. Our opinion is not modified with respect to this matter.

To the Board of Trustees
Farmington Community Library

Other Matters

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, schedules of Library pension and OPEB contributions, and schedule of changes in OPEB liability and related ratios 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 24, 2018

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, 2018. 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 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 $16.5 million, and net position amounted to $15.6 million, a decrease in net position of approximately $124,000 from fiscal year ended June 30, 2017.
- During the year, the Library-wide governmental activity revenue generated in taxes and other revenue was approximately $189,000 more than expenses for library operations.
- General Fund revenue exceeded expenditures by $183,000. In addition, total General Fund expenditures increased by $818,000 compared to fiscal year 2017. The increase in expenditures resulted from capital improvements made in fiscal year 2017-2018 for replacement of carpeting plus painting of the Main Library Branch. Capital expenditures also included replacement of worn furniture and fixtures. Fund balance in the General Fund decreased from $2,707,312 to $2,685,142.

Overview of the Financial Statements

The Library’s annual report consists of four parts: (1) management’s discussion and analysis (this section), (2) the basic financial statements, (3) notes to the financial statements, and (4) 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.

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 and 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 financial 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, additional nonfinancial factors, such as changes in the Library's property tax base and whether or not larger expenditures for capital improvements affected the Library's net position, must be considered.

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.

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 in the adjustments column on the financial statements that explain the relationship (or differences) between the two sets of statements.
- Fiduciary funds - The Library maintains a fiduciary fund for the Metro Net Agency Activities.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Library, assets and deferred outflows of resources exceeded liabilities and deferred inflows by $15,614,564 at the close of the most recent fiscal year.

Library's Net Position

	Governmental Activities	
	2017	2018
Assets		
Current and other assets	$ 4,764,277	$ 4,935,768
Capital assets	11,566,164	11,574,776
Total assets	16,330,441	16,510,544
Deferred Outflows of Resources	245,873	-
Liabilities		
Current liabilities	404,267	235,268
Noncurrent liabilities	433,517	440,418
Total liabilities	837,784	675,686
Deferred Inflows of Resources	-	220,294
Net Position		
Net investment in capital assets	11,566,164	11,574,776
Restricted	323,170	320,351
Unrestricted	3,849,196	3,719,437
Total net position	**$ 15,738,530**	**$ 15,614,564**

The Library implemented GASB Statement No. 75 in fiscal year 2018. Fiscal year 2017 amounts shown have not been modified to reflect retroactive application of the change; however, ending net position for that year was adjusted to properly state the fiscal year 2018 beginning net position.

The Library's combined net position as of June 30, 2018 is approximately $15,615,000. In comparison, last year's net position was approximately $15,739,000, a decrease of approximately $124,000. The decrease was due primarily to capital improvement expenditures for the Main Library Branch.

Library's Changes in Net Position

	Governmental Activities	
	2017	2018
Revenue		
Taxes	$ 5,389,587	$ 5,485,015
Intergovernmental	574,971	624,106
Memorials and gifts	228,767	99,839
Fines	66,133	58,344
Investment earnings	8,500	12,313
Other revenue	114,505	97,566
Total revenue	6,382,463	6,377,183
Expenditures		
General government	3,784,324	3,835,630
Facilities and equipment	1,496,316	1,623,382
Administrative	127,001	125,236
Gift Fund purchases	9,312	-
Other operating expenditures	246,800	268,492
Capital outlay	213,760	355,506
Total expenditures	5,877,513	6,208,246
Excess of Revenue Over Expenditures	504,950	168,937
Other Financing Sources (Uses)		
Transfers in	22,000	205,000
Transfers out	(22,000)	(205,000)
Sale of capital assets	(4,004)	-
Total other financing uses	(4,004)	-
Net Change in Net Position	$ 500,946	$ 168,937
Net Position - Beginning of year	15,237,584	15,738,530
Cumulative Effect of Change in Accounting	-	(292,903)
Net Position - Beginning of year, as adjusted	15,237,584	15,445,627
Net Position - End of year	**$ 15,738,530**	**$ 15,614,564**

Total revenue decreased approximately $5,300 from last year, mainly as a result of a decrease in the receipt of charitable gifts. Total expenditures for the Library increased approximately $331,000 or 5.6 percent. The increase in overall spending was due to capital improvements. Without the expenditures for capital improvements, the Library actually decreased operational spending.

The Library's total expenditures were approximately $6,208,000. There was revenue for services and fines ($155,910) and gifts ($99,839). General revenue consisted of property taxes ($5,485,015), penal fines and state aid ($624,106), and investment earnings ($12,313). These activities resulted in a decrease in net position of approximately $124,000, for a .8 percent decrease.

Financial Analysis of the Library's Funds

As the Library completed the year, its governmental funds reported a combined fund balance of $4,700,500. The combined fund balance consists of $178,356 of nonspendable prepaid expense, $203,036 restricted for books, $2,955 restricted for DVDs, $112,599 restricted for the Farmington Branch, $1,026 for children services, $735 for other, $236,040 committed for future endowments, $42,018 committed for employee fringe benefits, $1,679,318 assigned for capital projects, and $2,244,417 unassigned.

General Fund Budgetary Highlights

During the 2016-2017 fiscal year, the board of trustees approved a $530,000 budget for replacing the carpeting and painting of the Twelve Mile branch. This project was completed in the 2017-2018 fiscal year on budget.

In fiscal year 2015-2016, the board of trustees approved a $200,000 budget to refurbish the downtown Farmington Branch. This project is 100 percent complete and was finished under budget by $5,887.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the Library had invested $11,574,776 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.

Economic Factors and Next Year's Budgets and Rates

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 (.9787 with Headlee reduction) 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, Michigan. This is in addition to the 0.6 mill (.5730 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 0.5730 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 the following resources and materials:

- In fiscal year 2016-2017; 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 also enabled the Library to purchase iPads for patron checkout. In 2017-2018 the Library received another Bosch grant in the amount of $11,069 to enable the Library to purchase other STREAM-related materials for the community. These funds will also enable the Library to utilize group study rooms more effectively for patrons, with the addition of monitors and white boards for group collaboration.
- 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 Jazz 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 of the Library. This important reading initiative continues, with over 1,600 young participants having registered for the program.
- The Board of Trustees approved the use of fund balance for the main Library carpet and paint project, and necessary upgrades to furniture were completed. Unexpected revenue from the State of Michigan for the restoration of lost taxes was used to fund this project, with the remainder of the necessary funds coming from fund balance.
- The former café space was converted into a Community Lounge with vending options, allowing patrons to purchase snacks and beverages during all Library operating hours. New furnishings were ordered, and each table has outlets for further connectivity.
- Other technological improvements included new computers, an upgraded Storage Area Network (SAN) with added memory, an update to an end of life OS in order to support MS Server 2016, and an upgrade of the Polaris ILS Catalog. A new Itiva system, allowing patrons to check their library accounts and renew items by phone, was installed.
- The Library’s project to upgrade security for staff and patrons continued with the final phase, which consists of installing duress buttons and an alarm (intrusion) system at both branches of the Library. The One Call Now system was also implemented, in order to alert all staff at once if there is an emergency.

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 $41,162 to the defined benefit funding of Retiree Health Care Fund, which closed in 2016.

Due to unpredictable increases in the healthcare costs, the Board of Trustees redesigned the retiree healthcare benefit in December 2016 for future retirees, thereby significantly reducing legacy costs. Eligible retirees who were participating in the program when it closed were protected from any loss of benefits, and the current retiree health plan is sufficiently funded at 85 percent to meet and exceed the State of Michigan’s recommended funding levels.

Effective December 2016, the Board of Trustees adopted a Defined Contribution Retiree Health Savings Plan for all active full-time employees, which requires an employee contribution toward costs and limits the Library’s legacy costs. The new plan reduced the Library’s cost to $87,000 in 2017-2018. The actuarial report for the old plan would have required a $202,000 contribution to the health fund.

Both library branches are decades old, and the reality is that increased expenditures for repairs and capital improvements will occur more frequently as the life expectancy of the building’s mechanical components is reached. Improvements during fiscal year 2017-2018 included the replacement of carpeting, and new furnishings throughout the public areas of the Main Library Branch.

Plans for 2018-2019 include landscaping improvements, computer upgrades, development of a dedicated "teen space," and additional areas for group study and collaboration. The Board of Trustees is taking an active role with library staff in improving and upgrading the infrastructure and mechanicals of both branches.

Next Year’s Budget

Economic forecasts for 2018-2019 from both cities assume a slight increase in property values. However, the Headlee reduction continues to affect the amount the Library expects 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 ensure the Library Strategic Plan meets its goals. The Library looks to encourage usage by increasing community partnerships, responding to the technological needs of its patrons, and marketing to nonusers, especially the younger population of the Farmington/Farmington Hills community

Requests for Further 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 at 32737 West Twelve Mile Road, Farmington Hills, MI 48334-3302.

Balance Sheet/Statement of Net Position

June 30, 2018

	Modified Accrual					
	Major General Fund	Major 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)	$ 2,629,660	$ 1,679,318	$ -	$ 4,308,978	$ -	$ 4,308,978
Investments (Note 3)	-	-	336,040	336,040	-	336,040
Receivables	52,623	-	-	52,623	-	52,623
Due from other governmental agencies	59,771	-	-	59,771	-	59,771
Prepaid expenses and other assets	178,356	-	-	178,356	-	178,356
Capital assets: (Note 5)						
Assets not subject to depreciation	-	-	-	-	293,459	293,459
Assets subject to depreciation - Net	-	-	-	-	11,281,317	11,281,317
Total assets	**$ 2,920,410**	**$ 1,679,318**	**$ 336,040**	**$ 4,935,768**	11,574,776	16,510,544
Liabilities						
Accounts payable	$ 152,269	$ -	$ -	$ 152,269	-	152,269
Accrued liabilities and other	82,999	-	-	82,999	-	82,999
Noncurrent liabilities:						
Due within one year (Note 6)	-	-	-	-	172,381	172,381
Due in more than one year:						
Compensated absences (Note 6)	-	-	-	-	43,095	43,095
Net OPEB liability (Note 10)	-	-	-	-	82,456	82,456
Net pension liability (Note 8)	-	-	-	-	142,486	142,486
Total liabilities	235,268	-	-	235,268	440,418	675,686
Deferred Inflows of Resources						
Deferred inflows related to pension	-	-	-	-	211,320	211,320
Deferred inflows related to OPEB	-	-	-	-	8,974	8,974
Total deferred inflows of resources	-	-	-	-	220,294	220,294
Total liabilities and deferred inflows of resources	235,268	-	-	235,268	660,712	895,980
Equity						
Fund balances:						
Nonspendable	178,356	-	-	178,356	(178,356)	-
Restricted:						
Books	203,036	-	-	203,036	(203,036)	-
DVDs	2,955	-	-	2,955	(2,955)	-
Farmington Branch	12,599	-	100,000	112,599	(112,599)	-
Children services	1,026	-	-	1,026	(1,026)	-
Other	735	-	-	735	(735)	-
Committed:						
Future endowments	-	-	236,040	236,040	(236,040)	-
Employee fringe benefits	42,018	-	-	42,018	(42,018)	-
Assigned - Capital projects	-	1,679,318	-	1,679,318	(1,679,318)	-
Unassigned	2,244,417	-	-	2,244,417	(2,244,417)	-
Total fund balances	2,685,142	1,679,318	336,040	4,700,500	(4,700,500)	-
Total liabilities, deferred inflows of resources, and fund balances	**$ 2,920,410**	**$ 1,679,318**	**$ 336,040**	**$ 4,935,768**		
Net position:						
Net investment in capital assets					11,574,776	11,574,776
Restricted:						
Books					203,036	203,036
DVDs					2,955	2,955
Farmington Branch					112,599	112,599
Children services					1,026	1,026
Other					735	735
Unrestricted					3,719,437	3,719,437
Total net position					**$ 15,614,564**	**$ 15,614,564**

Farmington Community Library

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

Year Ended June 30, 2018

	Modified Accrual					
	Major General Fund	Major Capital Reserve Fund	Nonmajor Endowment Special Revenue Fund	Total	Adjustments (Note 2)	Statement of Activities - Full Accrual
Revenue						
Taxes	$ 5,485,015	$ -	$ -	$ 5,485,015	$ -	$ 5,485,015
Intergovernmental - State of Michigan	624,106	-	-	624,106	-	624,106
Memorials and gifts	99,839	-	-	99,839	-	99,839
Fines	58,344	-	-	58,344	-	58,344
Investment earnings	6,478	3,709	2,126	12,313	-	12,313
Other revenue	97,566	-	-	97,566	-	97,566
Total revenue	6,371,348	3,709	2,126	6,377,183	-	6,377,183
Expenditures						
General government:						
Salaries and wages	2,872,806	-	-	2,872,806	(743)	2,872,063
Fringe benefits	934,484	-	-	934,484	29,083	963,567
Facilities and equipment:						
Professional services	59,725	-	-	59,725	-	59,725
Repairs and maintenance	332,594	-	-	332,594	-	332,594
Utilities	231,565	-	-	231,565	-	231,565
Depreciation	-	-	-	-	999,498	999,498
Administrative:						
TLN / Internet	14,636	-	-	14,636	-	14,636
Insurance	69,593	-	-	69,593	-	69,593
Automation-related expenditures	41,007	-	-	41,007	-	41,007
Other operating expenditures	268,492	-	-	268,492	-	268,492
Capital outlay:						
Capital improvements	735,725	-	-	735,725	(610,450)	125,275
Books, periodicals, and library materials	627,891	-	-	627,891	(397,660)	230,231
Total expenditures	6,188,518	-	-	6,188,518	19,728	6,208,246
Other Financing Sources (Uses)						
Transfers in	-	205,000	-	205,000	-	205,000
Transfers out	(205,000)	-	-	(205,000)	-	(205,000)
Total other financing sources (uses)	(205,000)	205,000	-	-	-	-
Net Change in Fund Balances/Net Position	(22,170)	208,709	2,126	188,665	(19,728)	168,937
Fund Balances/Net Position - Beginning of year, as previously reported	2,707,312	1,470,609	333,914	4,511,835	11,226,695	15,738,530
Cumulative Effect of Change in Accounting	-	-	-	-	(292,903)	(292,903)
Fund Balances/Net Position - Beginning of year, as restated	2,707,312	1,470,609	333,914	4,511,835	10,933,792	15,445,627
Fund Balances/Net Position - End of year	**$ 2,685,142**	**$ 1,679,318**	**$ 336,040**	**$ 4,700,500**	**$ 10,914,064**	**$ 15,614,564**

See notes to financial statements.

Statement of Fiduciary Assets and Liabilities

June 30, 2018

		Metro Net Agency
Assets		
Cash and cash equivalents	$	37,645
Receivables		22,826
Total assets	**$**	**60,471**
Liabilities		
Due to other governmental units	$	59,771
Accrued liabilities and other		700
Total liabilities	**$**	**60,471**

Note 1 - Significant Accounting Policies

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

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, as applicable. 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. 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.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fund Accounting

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

Governmental Funds

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 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.

Note 1 - Significant Accounting Policies (Continued)

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the Library'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 Library 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.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In the 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 Library has spent its resources.

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

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Library considers amounts collected within 60 days of year end to be available for recognition.

The 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.

Note 1 - Significant Accounting Policies (Continued)

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 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 estimated 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.

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The Library does not report deferred outflows.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The Library reports deferred inflows related to pension and OPEB.

Net Position

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

Net Position Flow Assumption

The Library will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Note 1 - Significant Accounting Policies (Continued)

Fund Balance Flow Assumptions

The Library will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The Library itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Library's highest level of decision-making authority. The board of trustees is the highest level of decision-making authority for the Library that can, by passing a resolution prior to the end of the fiscal year, commit fund balance. Once passed, the limitation imposed by the resolution remains in place until a similar action is taken (the passing of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes, but do not meet the criteria to be classified as committed. The board of trustees may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

As of June 30, 2018, the Library had $2,244,417 in unassigned fund balance in the General Fund. Of this amount, $175,666 is gift funds. This $175,666 of unassigned gift funds combined with the $220,351 of restricted gift funds leaves a total of $396,017 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 1 - Significant Accounting Policies (Continued)

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, Michigan 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 2017 taxable valuation of the Library communities totaled $3.503 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 1.5644 mills for operating purposes. One operating mill of 0.9867 expires in the year 2024, while the other 0.5777 mills expire in 2032. This resulted in $5,485,015 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.

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 records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan’s fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Retiree Health Care Plan and additions to/deductions from the OPEB plan’s fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 1 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Library is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Library's financial statements for the year ending June 30, 2020.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. 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, 2021.

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 Balances Reported in Governmental Funds	$ 4,700,500
Amounts reported for governmental activities in the are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	11,574,776
Net OPEB liability is not due and payable in the current period and is not reported in the funds	(82,456)
Net pension liability is not due and payable in the current period and is not reported in the funds	(142,486)
Some employee fringe benefits 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:	
Employee compensated absences	(215,476)
Pension benefits	(211,320)
Retiree healthcare benefits	(8,974)
Net Position of Governmental Activities	$ 15,614,564

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

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

Net Change in Fund Balance Reported in Governmental Funds	$	188,665
Amounts reported for governmental activities in the 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:		
Depreciation expense		(999,498)
Capital outlay less transfers from construction in progress to depreciable assets		1,008,110
Changes in the net OPEB liability and the deferred inflows related to the OPEB are not included in governmental funds		180,323
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		743
Changes in the net pension liability and the deferred inflows/outflows related to the pension are not included in governmental funds		(209,406)
Change in Net Position of Governmental Activities	$	168,937

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 local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

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 deposits and investments are in accordance with statutory authority.

The Library's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Library's deposits may not be returned to it. The Library does have a deposit policy for custodial credit risk that 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 $4,109,156 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized.

Note 3 - Deposits and Investments (Continued)

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 June 30, 2018, 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	$ 2,145	Counterparty
Governmental security fixed-income mutual funds	60,388	Counterparty
Money market	273,507	Counterparty
Total	$ 336,040	

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 policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity.

At year end, the Library had the following investments and maturities:

Primary Government	Fair Value	6-10 Years
Fixed-income security pool	$ 60,388	$ 60,388

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 June 30, 2018, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Primary Government	Fair Value	Rating	Rating Organization
Fixed-income security pool	$ 60,388	Not rated	N/A
Bank investment pool	38,833	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 Measurements

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 assets. 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.

Note 4 - Fair Value Measurements (Continued)

In instances whereby inputs used to measure fair value fall into different levels in the 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.

Investments in Entities that Calculate Net Asset Value per Share

The Library holds shares or interests in investment companies whereby 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.

As of June 30, 2018, 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	$ 60,388	$ -	N/A	None
Bank investment pool	38,833	-	N/A	None
Total investments measured at NAV	$ 99,221	$ -		

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 the 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, 2017	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2018
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	17,433,561	12,987	-	-	17,446,548
Furniture and equipment	2,806,160	597,463	(352,994)	-	3,050,629
Books	5,556,620	397,660	(475,047)	-	5,479,233
Vehicles	61,003	-	-	-	61,003
Subtotal	25,857,344	1,008,110	(828,041)	-	26,037,413
Accumulated depreciation:					
Buildings and sites	8,402,068	401,680	-	-	8,803,748
Furniture and equipment	2,423,026	180,512	(352,994)	-	2,250,544
Books	3,713,460	415,149	(475,047)	-	3,653,562
Vehicles	46,085	2,157	-	-	48,242
Subtotal	14,584,639	999,498	(828,041)	-	14,756,096
Net capital assets being depreciated	11,272,705	8,612	-	-	11,281,317
Net capital assets	$ 11,566,164	$ 8,612	$ -	$ -	$ 11,574,776

Note 6 - Compensated Absences

Compensated absence activity for the year ended June 30, 2018 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Accumulated compensated absences	$ 216,219	$ 234,831	$ (235,574)	$ 215,476	$ 172,381

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

Note 7 - Interfund Receivables, Payables, and Transfers

Interfund transfers reported in the fund financial statements are composed of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Capital Reserve Fund	$ 205,000

The transfers from the General Fund to the Capital Projects-Capital Reserve Fund represents the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations.

Note 8 - Agent Defined Benefit Pension Plan

Plan Description

The Library participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS 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.

Employees Covered by Benefit Terms

At the December 31, 2017 measurement date, the following members were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	30
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	7
Total employees covered by the MERS of Michigan	40

Note 8 - Agent Defined Benefit Pension Plan (Continued)

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, 2018, the contribution was $14,354.

Employer contributions for the year ended June 30, 2018 totaled $0. The changes in net pension liability table shown below use a calendar year of January 1, 2017 through December 31, 2017 to be in compliance with GASB 68.

Net Pension Liability

The Library has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The June 30, 2018 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2017 measurement date. The December 31, 2017 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

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

	Increase (Decrease)		
Changes in Net Pension Liability	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2016	$ 8,851,075	$ 8,460,802	$ 390,273
Changes for the year:			
Service cost	43,411	-	43,411
Interest	684,396	-	684,396
Differences between expected and actual experience	110,296	-	110,296
Contributions - Employee	-	14,354	(14,354)
Net investment income	-	1,088,833	(1,088,833)
Benefit payments, including refunds	(635,651)	(635,651)	-
Administrative expenses	-	(17,297)	17,297
Net changes	202,452	450,239	(247,787)
Balance at December 31, 2017	$ 9,053,527	$ 8,911,041	$ 142,486

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

For the year ended June 30, 2018, the Library recognized pension expense of $209,406.

Note 8 - Agent Defined Benefit Pension Plan (Continued)

At June 30, 2018, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ (211,320)

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

Years Ending June 30	Amount
2019	$ 19,681
2020	(824)
2021	(142,674)
2022	(87,503)

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases in the long term of 3.8 percent, and an investment rate of return (net of investment expenses including inflation) of 8.00 percent.

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, 2017 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 8.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Library contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

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

Note 8 - Agent Defined Benefit Pension Plan (Continued)

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of the December 31, 2017 measurement date, for each major asset class, are summarized in the following table:

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

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

The following presents the net pension liability of the Library, calculated using the discount rate of 8.0 percent, as well as what the Library's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (7.0%)	Current Discount Rate (8.0%)	1 Percent Increase (9.0%)
Net pension liability of the Library	$ 950,098	$ 142,486	$ (558,786)

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, 2018, employer contributions to the plan were $101,383, and employee contributions to the plan were $17,300.

Note 10 - Other Postemployment Benefit Plan - RHFV

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 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 Retiree Health Care Plan is a single-employer defined benefit plan administered by the Farmington Community Library. Retirees participating in this plan are required to make a contribution towards costs depending on their number of years of service.

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, 2018, all active employees have elected to be transferred into the new plan, and the plan is closed to new entrants. Please refer to Note 11 for details of the MERS Health Care Savings Program.

Benefits Provided

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).

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	Retiree Health Care Plan
Plan members and spouses currently receiving benefits	22
Plan members entitled to but not yet receiving benefits	-
Active plan members	-
Total plan members	22

Contributions

The Library has elected to pay retiree health costs on a "pay-as-you-go" basis. The Library has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2018, the Library made payments for postemployment health benefit premiums of $194,614. Retirees contributed $39,812 for postemployment health benefit premiums reducing the Library's net cost to $154,802.

Net OPEB Liability

The Library has chosen to use the June 30 measurement date as its measurement date for the net OPEB liability. The June 30, 2018 total OPEB liability was determined by an actuarial valuation performed as of December 31, 2016, which used updated procedures to roll forward the estimated liability to June 30, 2018.

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

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

	Increase (Decrease)		
Changes in Net OPEB Liability	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at July 1, 2017	$ 1,912,310	$ 1,640,557	$ 271,753
Changes for the year:			
Interest	128,491	-	128,491
Contributions - Employer	-	194,614	(194,614)
Net investment income	-	127,350	(127,350)
Benefit payments, including refunds	(153,452)	(153,452)	-
Miscellaneous other charges	-	(4,176)	4,176
Net changes	(24,961)	164,336	(189,297)
Balance at June 30, 2018	$ 1,887,349	$ 1,804,893	$ 82,456

The plan's fiduciary net position represents 95.6 percent of the total OPEB liability.

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

For the year ended June 30, 2018, the Library recognized OPEB expense of $14,291.

At June 30, 2018, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ (8,974)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending June 30	Amount
2019	$ (2,243)
2020	(2,243)
2021	(2,243)
2022	(2,245)
Total	$ (8,974)

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using an inflation assumption of 2.5 percent; assumed salary increases of 0 percent; an investment rate of return (net of investment expenses) of 7.0 percent; a healthcare cost trend rate of 8.0 percent for 2016, decreasing 0.5 percent per year to an ultimate rate of 5.0 percent for 2024 and later years; and using the RP-2014 mortality tables with the MP-2016 improvement scale. Excise tax for Cadillac plans and participation rates were not included as a key assumption for the Library. These assumptions were applied to all periods included in the measurement.

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

Discount Rate

The discount rate used to measure the total OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Library contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

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

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the June 30, 2018 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	55.50 %	7.00 %
Global fixed income	18.50	5.50
Real assets	13.50	8.60
Diversifying strategies	12.50	7.51

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

The following presents the net OPEB liability of the Library, calculated using the discount rate of 7.0 percent, as well as what the Library's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.0%)	Current Discount Rate (7.0%)	1 Percent Increase (8.0%)
Net OPEB liability of the Retiree Health Care Plan	$ 234,010	$ 82,456	$ (50,281)

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

The following presents the net OPEB liability of the Library, calculated using the healthcare cost trend rate of 8.0 percent, as well as what the Library's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (7.0%)	Current Healthcare Cost Trend Rate (8.0%)	1 Percent Increase (9.0%)
Net OPEB liability of the Retiree Health Care Plan	$ (65,158)	$ 82,456	$ 248,649

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

OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is not available in the separately issued financial report. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows or resources related to OPEB, and OPEB expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 11 - Defined Contribution Other Postemployment Benefits - HCSP

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 and 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, 2018, the Library made contributions of approximately $87,000 and the plan members contributed approximately $48,000 to the plan. Forfeitures during 2018 were $4,285, and contributions withheld from employees but not yet remitted to the plan totaled $3,866 as of June 30, 2018.

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), as well as medical benefits provided to employees. 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 $2,000 out-of-pocket expense. Therefore, the maximum cost to the Library is $1,500 per full-time employee. Total claims expense for the year ended June 30, 2018 amounted to $26,816. There was no liability for unpaid claims at June 30, 2018.

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, 2018 amounted to $0.

Note 14 - Change in Accounting Principle

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

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

	Statement of Net Position		
	As Previously Reported	As Restated	Effect of Change
Governmental activities	$ 15,738,530	$ 15,445,627	$ (292,903)

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

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	(Unfavorable) Favorable Variance
Revenue				
Taxes	$ 5,602,243	$ 5,602,243	$ 5,485,015	$ (117,228)
Intergovernmental - State of Michigan	520,000	611,500	624,106	12,606
Memorials and gifts	125,000	110,000	99,839	(10,161)
Fines	60,000	60,000	58,344	(1,656)
Investment income	4,600	4,600	6,478	1,878
Other	100,500	92,500	97,566	5,066
Total revenue	6,412,343	6,480,843	6,371,348	(109,495)
Expenditures				
General government:				
Salaries and wages	3,092,066	2,949,791	2,872,806	76,985
Fringe benefits	1,038,431	981,559	934,484	47,075
Facilities and equipment:				
Professional services	60,000	60,000	59,725	275
Repairs and maintenance	355,000	355,000	332,594	22,406
Utilities	214,000	228,000	231,565	(3,565)
Administrative:				
TLN / Internet	20,000	20,000	14,636	5,364
Insurance	70,000	70,000	69,593	407
Automation-related expenditures	41,000	41,000	41,007	(7)
Other operating expenditures	296,065	302,712	268,492	34,220
Capital outlay:				
Capital improvements	839,668	881,668	735,725	145,943
Books, periodicals, and library materials	717,000	717,000	627,891	89,109
Total expenditures	6,743,230	6,606,730	6,188,518	418,212
Other Financing Uses - Transfers out	(205,000)	(205,000)	(205,000)	-
Net Change in Fund Balance	(535,887)	(330,887)	(22,170)	308,717
Fund Balance - Beginning of year	2,707,312	2,707,312	2,707,312	-
Fund Balance - End of year	**$ 2,171,425**	**$ 2,376,425**	**$ 2,685,142**	**$ 308,717**

See notes to required supplemental information.

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

Last Three Fiscal Years

	2018	2017	2016
Total Pension Liability			
Service cost	$ 43,411	$ 47,854	$ 50,467
Interest	684,396	672,471	658,154
Differences between expected and actual experience	110,296	43,333	(226,852)
Changes in assumptions	-	-	503,123
Benefit payments, including refunds	(635,651)	(589,089)	(521,543)
Net Change in Total Pension Liability	202,452	174,569	463,349
Total Pension Liability - Beginning of year	8,851,075	8,676,506	8,213,157
Total Pension Liability - End of year	**$ 9,053,527**	**$ 8,851,075**	**$ 8,676,506**
Plan Fiduciary Net Position			
Contributions - Employer	$ -	$ -	$ 2,069,513
Contributions - Member	14,354	14,391	20,516
Net investment income (loss)	1,088,833	904,095	(93,328)
Administrative expenses	(17,297)	(17,861)	(14,631)
Benefit payments, including refunds	(635,651)	(589,089)	(521,543)
Net Change in Plan Fiduciary Net Position	450,239	311,536	1,460,527
Plan Fiduciary Net Position - Beginning of year	8,460,802	8,149,266	6,688,739
Plan Fiduciary Net Position - End of year	**$ 8,911,041**	**$ 8,460,802**	**$ 8,149,266**
Library's Net Pension Liability - Ending	**$ 142,486**	**$ 390,273**	**$ 527,240**
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	98.43 %	95.59 %	93.92 %
Covered Employee Payroll	$ 401,541	$ 442,696	$ 468,661
Library's Net Pension Liability as a Percentage of Covered Employee Payroll	35.48 %	88.16 %	112.50 %

* The table is being built prospectively from adoption of GASB 68.

Required Supplemental Information
Schedule of Library Pension Contributions

Last Ten Fiscal Years

Years Ended June 30

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	$ -	$ -	$ 96,492	$ 149,892	$ 101,004	$ 78,732	$ 70,380	$ 77,964	$ 48,336	$ 83,988
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
Contribution Surplus	**$ -**	**$ -**	**$ 1,898,075**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Covered Employee Payroll	$ 401,541	$ 468,661	$ 468,661	$ 631,821	$ 706,875	$ 837,518	$ 851,661	$ 845,144	$ 850,556	$ 825,941
Contributions as a Percentage of Covered Employee Payroll	- %	- %	425.59 %	23.72 %	14.29 %	9.40 %	8.26 %	9.22 %	5.68 %	10.17 %

Notes to Schedule of Library Pension Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of December 31, 2017, six months 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 normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	22 years
Asset valuation method	Five-year smoothed
Inflation	2.50 percent
Salary increase	3.75 percent
Investment rate of return	8.00 percent
Retirement age	55-60 years
Mortality	50 percent female/50 percent male RP-2017 blend of the following tables: 1. RP-2014 Healthy Annuity Mortality Table, with rates multiplied by 105% 2. RP-2014 Employee Mortality Tables 3. RP-2014 Juvenile Mortality Tables
Other information	None

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

Last One Fiscal Year

	2018
Total OPEB Liability	
Interest	$ 128,491
Benefit payments, including refunds	(153,452)
Net Change in Total OPEB Liability	(24,961)
Total OPEB Liability - Beginning of year	1,912,310
Total OPEB Liability - End of year	**$ 1,887,349**
Plan Fiduciary Net Position	
Contributions - Employer	$ 194,614
Net investment income	127,350
Benefit payments, including refunds	(153,452)
Other	(4,176)
Net Change in Plan Fiduciary Net Position	164,336
Plan Fiduciary Net Position - Beginning of year	1,640,557
Plan Fiduciary Net Position - End of year	**$ 1,804,893**
Net OPEB Liability - Ending	**$ 82,456**
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	95.63 %
Covered Employee Payroll	$ -

* This table is built prospectively from adoption of GASB 75

Required Supplemental Information
Schedule of OPEB Contributions

Year Ended June 30

	2018
Actuarially determined contribution	$ 41,162
Contributions in relation to the actuarially determined contribution	194,614
Contributions in Excess of ADC	**$ 153,452**

* This table is built prospectively from adoption of GASB 75

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of December 31, 2016, 18 months prior to the end of the fiscal year in which the contributions are reported, based on the assumption that there have been no experience gains or losses.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age method
Amortization method	Level percentage of payroll
Remaining amortization period	30 years
Asset valuation method	Five-year smoothed
Inflation	2.5 percent
Healthcare cost trend rates	8.50 percent initially reduced by decrements to an ultimate rate of 5 percent after eight years
Salary increase	Not applicable
Investment rate of return	7.00 percent
Retirement age	65 years
Mortality	RP-2014 separate Employee and Health Annuity Mortality Tables, with Generational Projection Scale MP-2016, for males and females
Other information	None

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.

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 and automation-related expenditures.

Plante & Moran, PLLC
Suite 400
1000 Oakbrook Drive
Ann Arbor, MI 48104
Tel: 734.665.9494
Fax: 734.665.0664
plantemoran.com

October 24, 2018

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, 2018 and have issued our report thereon dated October 24, 2018. 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 June 20, 2018, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

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

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

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated August 17, 2018.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Library are described in Note 2 to the financial statements. As described in Note 2, the Library changed accounting policies related to adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

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 actuarially determined liability related to the pension and the other postretirement employee benefits. 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. 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. We recommend these estimates be re-evaluated for reasonableness on at least an annual basis.

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 24, 2018.

Management Consultations with Other Independent Accountants

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

This information is intended solely for the use of 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