

Bloomfield Township Public Library

Financial Statements

March 31, 2019



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Independent Auditors' Report

Board of Trustees
Bloomfield Township Public Library
Bloomfield Township, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bloomfield Township Public Library, as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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 Bloomfield Township Public Library, as of March 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Yeo & Yeo, P.C.

Auburn Hills, Michigan
September 10, 2019

Bloomfield Township Public Library
Management's Discussion and Analysis
For the Year Ended March 31, 2019

The management's discussion and analysis of Bloomfield Township Public Library's (the Library) financial report provides an overview of the Library's financial activities for the fiscal year ended March 31, 2019. Please read it in conjunction with the Library's financial statements which follow this section.

Reviewing the Financial Statements

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

The Balance Sheet on page 3 – 4 and Statement on Revenues, Expenditures, and Changes in Fund Balance on page 3 – 6 show the modified accrual method of reporting. This method of accounting focuses on current financial resources and provides a more detailed view about the accountability of the Library's sources and uses of funds. The Balance Sheet also shows the designated use of fund balance.

The Statement of Net Position on page 3 – 1 and Statement of Activities on page 3 – 3 show the General Fund and Gift Fund combined in the full accrual method. The reconciliation of these funds used to arrive at the figures is shown on pages 3 – 5 and 3 – 7, respectively. The reconciliation represents adjustments necessary, due to GASB 34, to convert the modified accrual financial statements to the Statement of Net Position and Statement of Activities under the full accrual method. The full accrual method of accounting focuses on long-term economic resources.

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

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

The Library established a qualified trust for other employee benefits during the fiscal year and therefore presents a fiduciary fund on page 3 – 9.

The Library as a Whole

Fiscal Year (FY) 2018/2019 ended on a very strong financial foundation. Again this year, we were able to accomplish several long overdue building and technology projects as planned for in our Capital Improvements Plan (CIP). Completed projects include an updated Voice over IP telephone system, the replacement of 60 public computers and monitors, interior renovations to four public bathrooms and lower level public meeting rooms, parking lot pave and stripe, as well as new equipment and software to support the Library's technology infrastructure. We are very grateful to have funding available now to complete these important and necessary building projects.

Our wonderful Friends of the Library continue to support programs, collections and services that were not budgeted for and that provide special touches to the Library. One such project is their support of concerts at the Library. These are among the most popular and well attended programs offered at the Library. Our Bloomfield community is so very generous and supportive of the Library.

**Bloomfield Township Public Library
Management's Discussion and Analysis
For the Year Ended March 31, 2019**

Condensed Financial Information

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

TABLE 1	2019	2018
Assets		
Current assets	\$ 12,617,072	\$ 13,572,075
Capital assets	23,191,236	23,378,302
Total assets	35,808,308	36,950,377
Deferred outflows of resources	922,944	437,129
Liabilities		
Current liabilities	685,105	685,509
Long term liabilities	4,240,033	7,210,211
Total liabilities	4,925,138	7,895,720
Deferred inflows of resources	1,531,241	-
Net position		
Investment in capital assets	23,191,236	23,378,302
Gift fund balance - restricted/expendable	165,105	178,428
Unrestricted	6,918,532	5,935,056
Total net position	\$ 30,274,873	\$ 29,491,786

**Bloomfield Township Public Library
Management's Discussion and Analysis
For the Year Ended March 31, 2019**

TABLE 2	2019	2018
Revenue		
Program revenue:		
Charges for services	\$ 98,308	\$ 111,345
Operating grants and contributions	86,292	74,478
General revenue:		
Property taxes	7,207,809	6,949,668
Penal fines	85,862	83,174
State aid - unrestricted	30,118	26,864
Investment earnings	260,164	38,122
Gain on sale of capital assets	1,066	-
Miscellaneous	16,353	16,305
Total revenue	7,785,972	7,299,956
 Program Expenses		
Library services/operations	7,002,885	7,424,539
 Change in net position	\$ 783,087	\$ (124,583)

General Fund Revenues

Estimated property tax revenues when approved in March, 2018 were \$7,095,067. Our actual revenues were \$7,207,809, which was \$112,742 more than originally budgeted in total.

Actual investment earnings were up by \$180,542 from our original estimates due to significant market improvements and increased cash investments.

General Fund Expenditures

Total overall expenditures were reduced over the fiscal year. Actual expenditures were \$545,885 less than anticipated. This decrease is due to the delay in the lobby floor capital project to FY 2019-2020 and operational savings were achieved in each of the other functional areas through an extensive analysis and review of historical trends.

**Bloomfield Township Public Library
Management's Discussion and Analysis
For the Year Ended March 31, 2019**

In the Personnel functional category, expenditures decreased over the fiscal year by \$115,690 due to vacant positions starting at the beginning of the position's salary range resulting in a savings. In addition, two months healthcare insurance premiums were funded by rate stabilization funds.

Library Services decreased overall by \$101,887 from initial estimates due to lower than anticipated expenditures.

In the Facilities and Equipment functional category, expenditures decreased by \$133,486 from initial estimates primarily due to savings in snow plowing and salting as well as fewer computer equipment expenditures.

Other Operating Expenditures decreased by \$194,822 due to the delay of the lobby floor capital project, as mentioned above.

Fund Balance

The fund balance is \$11,933,662 at year end. This is a decrease of \$956,013 compared to the prior year-end fund balance. The Library established a qualified trust and transferred funding for the Library's Other Post-Employment Benefits (OPEB) to this new trust.

Gift Fund Estimated Budget

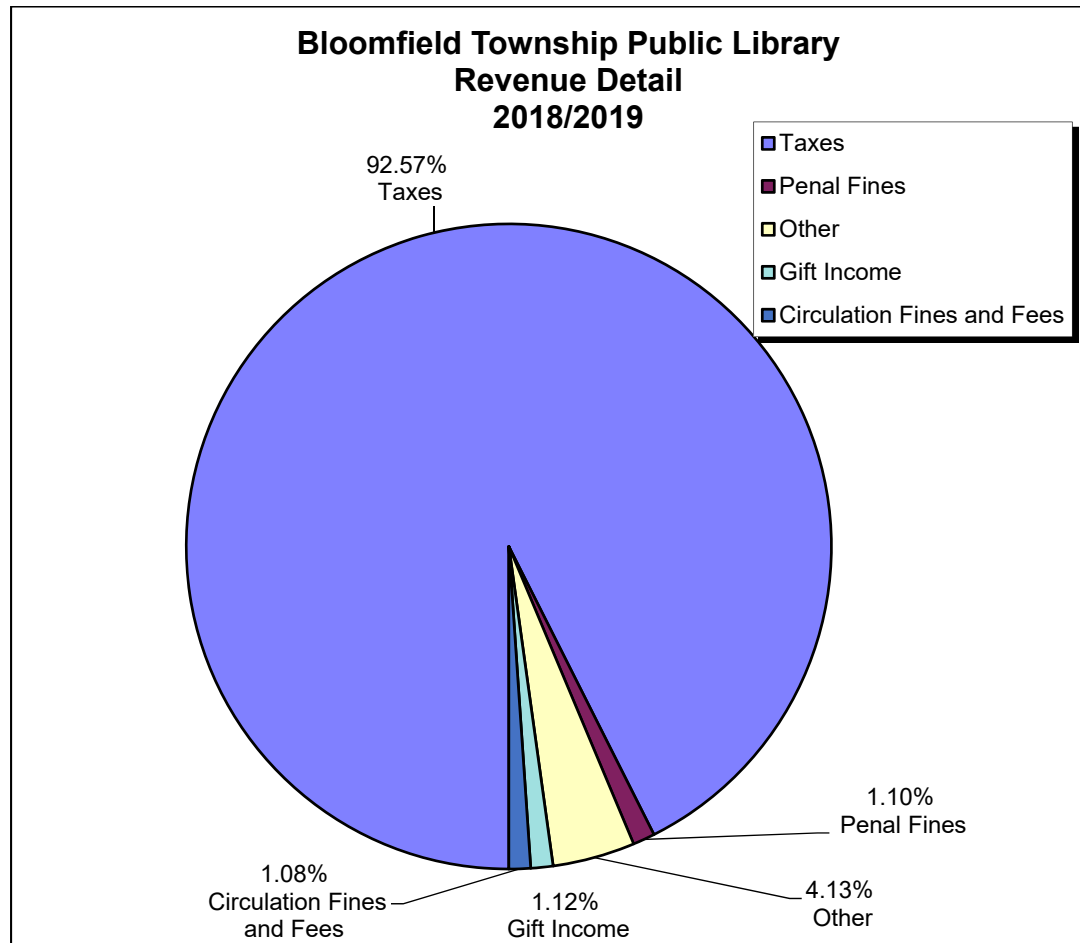
The Friends of the Library very generously donated \$66,625 during FY 2018/2019. This funding provided support for many of our popular programs such as the Chamber music concerts, Everyone's Reading program, and summer reading programs, among others. The Friends' gifts also supported purchases for our various high demand and popular materials collections.

The Gift Fund shows a decreased fund balance at year-end compared to FY 2017/2018. Gifts were spent for collections, furnishings and equipment as requested by the donors from donations received in the current & prior fiscal years. The actual fund balance at the close of the fiscal year was \$165,105.

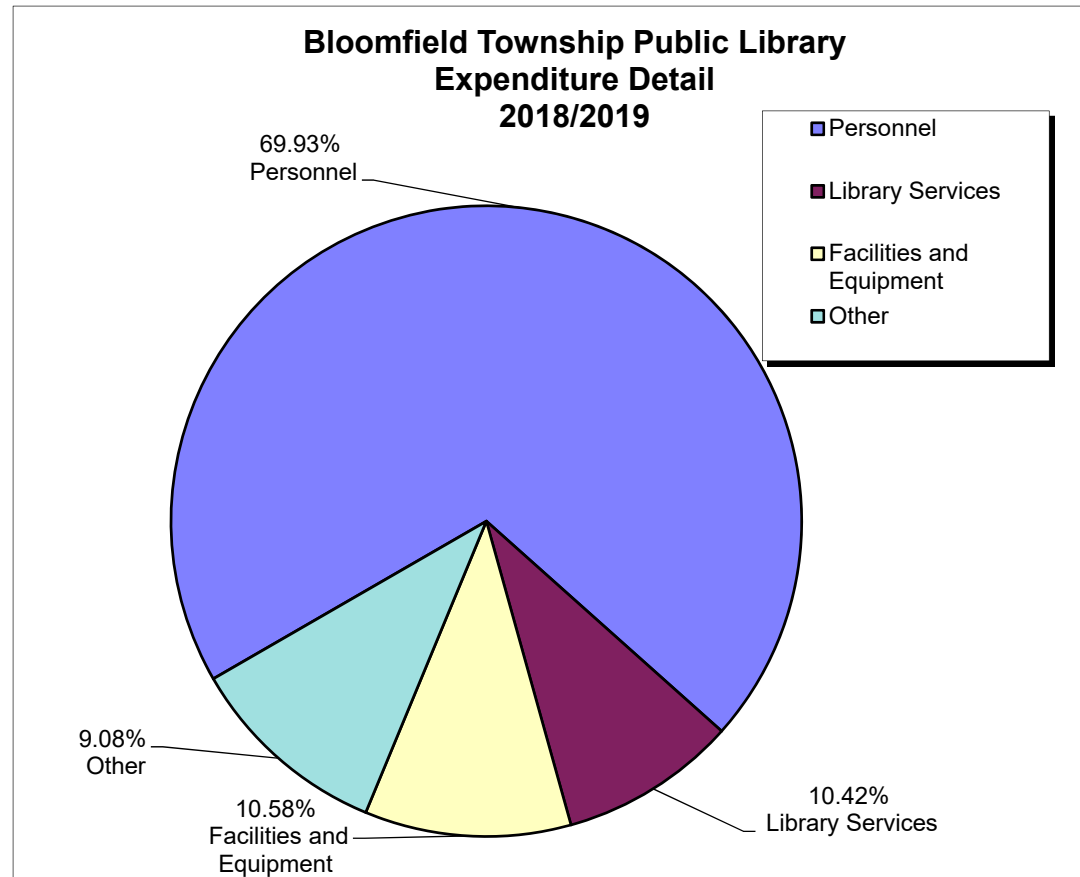
**Bloomfield Township Public Library
Management's Discussion and Analysis
For the Year Ended March 31, 2019**

The Library's Funds

The budgetary analysis of both library funds, the General Fund and the Gift Fund, is included in the financial statements on pages 4 – 1 through 4 – 2. The following pie charts illustrate the percentage breakdown of revenues and expenditures for the Library as a Whole, which includes both funds.



**Bloomfield Township Public Library
Management's Discussion and Analysis
For the Year Ended March 31, 2019**



The largest use of resources during FY 2018/2019 continued to be for personnel salaries and benefits. This is typical of service organizations that are open to the public seven days a week, year-round. We have kept these expenses to a minimum by carefully reviewing vacated positions as to the need to fill these. In addition, due to the funding of the Other Post-Employment Benefits (OPEB) trust, as mentioned earlier, the personnel functional area was a higher use of resources than in prior years.

**Bloomfield Township Public Library
Management's Discussion and Analysis
For the Year Ended March 31, 2019**

The Library's Budgetary Highlights

The Library's FY 2018/2019 budget, as approved in March, 2018, included increased funding for Library collections, programs and services. We also completed several important and necessary building and systems projects such as upgrading the Library's telephone system and lower level interior renovations.

We remain very grateful to Bloomfield Township voters for their support of the Library.

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

Capital Assets and Long-Term Debt Activity

At the beginning of FY 2018/2019, the Library had \$23,378,302 invested in land, building and improvements, furniture and equipment, books and materials, including media. New collection items totaling \$483,617, consisting of new books and various audiovisual materials, were added to library collections this fiscal year. (This does not include subscriptions to electronic materials and services.) A total of \$189,353 was spent to replace furniture and equipment. In accordance with the Library's fixed asset disposal policy, the items from the Adult Services and Youth Services materials collections, which were no longer suitable for public library use, were donated to the Friends of the Library for their used book sales. The total of materials disposed from the collection amounted to \$1,203,269. Our final capital asset investment for FY 2018/2019 is \$23,191,236.

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

Next Year's Anticipated Budget Factors

The Library has allocated funding each year to pay for future complex and costly building projects such as a new roof. Due to continued leaks from strong storms each year, we plan to repair or replace the building's roof in FY 2019/2020 pending further discussions on options and associated costs. We also are working with our Capital Improvement Plan (CIP) to carefully plan for and allocate funding for important and necessary building and systems projects during the next several years. A recent Spaces and Wayfinding Study has resulted in some proposed changes to areas of the Library. Funding to implement proposed changes will be incorporated into our CIP plan this next year.

Bloomfield Township Public Library
Management's Discussion and Analysis
For the Year Ended March 31, 2019

Glossary of Terms

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

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

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

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

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

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

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

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

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

Bloomfield Township Public Library
Management's Discussion and Analysis
For the Year Ended March 31, 2019

These terms are:

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

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

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

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

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

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

GASB 75 requires governments providing defined benefit OPEB plans to recognize their unfunded defined benefit obligations as a liability and to more comprehensively and comparably measure the annual costs of OPEB benefits.

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

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

**Bloomfield Township Public Library
Management's Discussion and Analysis
For the Year Ended March 31, 2019**

Contacting the Library's Management

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

Bloomfield Township Public Library
Statement of Net Position
March 31, 2019

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 529,854
Investments	12,035,544
Receivables	7,000
Prepaid items	<u>44,674</u>
Total current assets	<u>12,617,072</u>
Noncurrent assets	
Capital assets not being depreciated	131,015
Capital assets, net of accumulated depreciation	<u>23,060,221</u>
Total noncurrent assets	<u>23,191,236</u>
Total assets	35,808,308
Deferred Outflows of Resources	
Deferred amount relating to net pension liability	404,453
Deferred amount relating to net OPEB liability	<u>518,491</u>
Total assets and deferred outflows of resources	<u>36,731,252</u>

See Accompanying Notes to the Financial Statements

Bloomfield Township Public Library
Statement of Net Position
March 31, 2019

	Governmental Activities
Liabilities	
Current liabilities	
Accounts payable	\$ 158,376
Accrued and other liabilities	64,652
Due to Charter Township of Bloomfield	295,277
Current portion of compensated absences	166,800
Total current liabilities	685,105
Noncurrent liabilities	
Noncurrent portion of compensated absences	315,199
Net pension liability	668,638
Net OPEB liability	3,256,196
Total noncurrent liabilities	4,240,033
Total liabilities	4,925,138
Deferred Inflows of Resources	
Deferred amount relating to net pension liability	116,176
Deferred amount relating to net OPEB liability	1,415,065
Total liabilities and deferred inflows of resources	6,456,379
Net Position	
Investment in capital assets	23,191,236
Restricted for	
Gift fund	165,105
Unrestricted	6,918,532
Total net position	\$ 30,274,873

See Accompanying Notes to the Financial Statements

Bloomfield Township Public Library
Statement of Activities
For the Year Ended March 31, 2019

	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities				
Recreation and culture	\$ 7,002,885	\$ 98,308	\$ 86,292	\$ (6,818,285)
General revenues				
				7,207,809
				85,862
				30,118
				260,164
				1,066
				16,353
				7,601,372
				783,087
				29,491,786
				\$ 30,274,873

See Accompanying Notes to the Financial Statements

Bloomfield Township Public Library
Governmental Funds
Balance Sheet
March 31, 2019

	<u>General</u>	<u>Gift</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 360,895	\$ 168,959	\$ 529,854
Investments	12,035,544	-	12,035,544
Receivables	7,000	-	7,000
Prepaid items	<u>43,630</u>	<u>1,044</u>	<u>44,674</u>
Total assets	<u>\$ 12,447,069</u>	<u>\$ 170,003</u>	<u>\$ 12,617,072</u>
Liabilities			
Accounts payable	\$ 153,478	\$ 4,898	\$ 158,376
Accrued and other liabilities	64,652	-	64,652
Due to Charter Township of Bloomfield	<u>295,277</u>	<u>-</u>	<u>295,277</u>
Total liabilities	<u>513,407</u>	<u>4,898</u>	<u>518,305</u>
Fund Balances			
Non-spendable			
Prepaid items	43,630	1,044	44,674
Restricted	-	164,061	164,061
Committed for cash flow	3,911,760	-	3,911,760
Assigned for OPEB, compensated absences, and capital improvements	7,878,271	-	7,878,271
Unassigned	<u>100,001</u>	<u>-</u>	<u>100,001</u>
Total fund balances	<u>11,933,662</u>	<u>165,105</u>	<u>12,098,767</u>
Total liabilities and fund balances	<u>\$ 12,447,069</u>	<u>\$ 170,003</u>	<u>\$ 12,617,072</u>

See Accompanying Notes to the Financial Statements

Bloomfield Township Public Library
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Position of Governmental Activities
March 31, 2019

Total fund balances for governmental funds	\$ 12,098,767
 Total net position for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	23,191,236
Deferred outflows (inflows) of resources.	
Deferred inflows of resources resulting from net pension liability	(116,176)
Deferred inflows of resources resulting from net OPEB liability	(1,415,065)
Deferred outflows of resources resulting from net pension liability	404,453
Deferred outflows of resources resulting from net OPEB liability	518,491
 Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Net pension liability	(668,638)
Net OPEB liability	(3,256,196)
Compensated absences	(481,999)
 Net position of governmental activities	 <u>\$ 30,274,873</u>

See Accompanying Notes to the Financial Statements

Bloomfield Township Public Library
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2019

	<u>General</u>	<u>Gift</u>	<u>Total</u>
Revenues			
Property taxes	\$ 7,207,809	\$ -	\$ 7,207,809
Penal fines	85,862	-	85,862
State aid	30,118	-	30,118
Circulation fines and fees	84,127	-	84,127
Charges for services	14,181	-	14,181
Gift income	-	86,292	86,292
Investment earnings	259,542	622	260,164
Other revenue	16,353	-	16,353
	<u>7,697,992</u>	<u>86,914</u>	<u>7,784,906</u>
Total revenues			
Expenditures			
Current			
Recreation and culture			
Personnel	6,122,533	-	6,122,533
Library services	743,714	51,146	794,860
Facilities and equipment	894,541	31,370	925,911
Other expenditures	894,283	17,721	912,004
	<u>8,655,071</u>	<u>100,237</u>	<u>8,755,308</u>
Total expenditures			
	(957,079)	(13,323)	(970,402)
(Deficiency) of revenues (under) expenditures			
Other financing sources			
Sale of fixed assets	1,066	-	1,066
	<u>1,066</u>	<u>-</u>	<u>1,066</u>
Net change in fund balances	(956,013)	(13,323)	(969,336)
Fund balances - beginning of year	<u>12,889,675</u>	<u>178,428</u>	<u>13,068,103</u>
Fund balances - end of year	<u>\$ 11,933,662</u>	<u>\$ 165,105</u>	<u>\$ 12,098,767</u>

See Accompanying Notes to the Financial Statements

Bloomfield Township Public Library
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2019

Net change in fund balances - total governmental funds \$ (969,336)

Total change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(1,264,032)
Capital outlay	1,091,274
Sale of capital assets (net book value)	(14,308)

Expenses are recorded when incurred in the statement of activities.

Compensated absences	5,852
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The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.

Net change in net pension liability	(93,136)
Net change in the deferred inflows of resources related to the net pension liability	(116,176)
Net change in the deferred outflows of resources related to the net pension liability	(32,676)

The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and pension expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.

Net change in net OPEB liability	3,072,199
Net change in the deferred inflows of resources related to the net OPEB liability	(1,415,065)
Net change in the deferred outflows of resources related to the net OPEB liability	518,491

Change in net position of governmental activities	\$ <u>783,087</u>
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Bloomfield Township Public Library
Fiduciary Funds
Statement of Fiduciary Net Position
March 31, 2019

	<u>Other Employee Benefit Trust Fund</u>
Assets	
Investments	\$ 2,199,724
Liabilities	
Accounts payable	<u>7,000</u>
Net Position	
Held in trust for other post employment benefits	<u>\$ 2,192,724</u>

See Accompanying Notes to the Financial Statements

Bloomfield Township Public Library
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended March 31, 2019

	<u>Other Employee Benefit Trust Fund</u>
Additions	
Contributions Employer	\$ 2,084,056
Investment earnings	
Interest	<u>115,668</u>
Total additions	<u>2,199,724</u>
Deductions	
Administrative expenses	<u>7,000</u>
Change in net position	2,192,724
Net position - beginning of year	<u>-</u>
Net position - end of year	<u>\$ 2,192,724</u>

See Accompanying Notes to the Financial Statements

Bloomfield Township Public Library
Notes to the Financial Statements
March 31, 2019

Note 1 - Summary of Significant Accounting Policies

Reporting entity

The Bloomfield Township Public Library (the Library) was established in 1964 to provide recreational and cultural services to the residents of Bloomfield Township. The Library's activities are overseen by an autonomous six (6) member Board of Trustees. The financial statements of the Library have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles.

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

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in activities) report information on all of the nonfiduciary activities of the Library.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

Property taxes, state aid, fines and fees, charges for services, investment earnings, and gift income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

The Library reports the following major governmental funds:

The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

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The Gift Fund accounts for all contributions and gifts received.

Additionally, the government reports on other post-employment benefit trust fund, which accounts for the Library's single employer, defined benefit other post-employment benefits plan. The plan accumulates resources for other post-employment benefits payments to qualified Library employees. The funds are based on the Plans' March 31 fiscal year end.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Assets, liabilities, and net position or equity

Deposits and investments – Cash and cash equivalents are considered to be 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. Certificates of deposit are stated at cost which approximates fair value.

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

Property taxes – Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2018 taxable valuation of the property subject to the Library's millage totaled \$3,749,876,110 on which ad valorem taxes consisted of 1.9230 mills for operating purposes. This resulted in \$7,211,012 for operating purposes, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Prepaid expenses – Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the Library follows the consumption method, and they therefore are capitalized as prepaid items in both government-wide and fund financial statements.

Capital assets – Capital assets, which include land, buildings, furniture, and library materials are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government 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.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

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

Building and improvements	3 to 60 years
Furniture and equipment	3 to 20 years
Library books and materials	7 to 10 years

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

Deferred outflows of resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. The Library reports deferred outflows of resources as a result of pension investment earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liability are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan.

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

Pensions – 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 Plan and additions to/deductions from Plan's fiduciary net position have been determined on the same basis as they are reported to the 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.

Other Postemployment Benefits (OPEB) – For purposes 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 plan and additions to/deductions from plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at cost.

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. The Library reports deferred inflows of resources as a result of OPEB investment earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumption differences relating to the net pension and OPEB liability are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – assets that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise

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required by external parties to be used for a specific purpose.

Committed – amounts constrained on use imposed by the Library’s highest level of decision-making, its Board of Trustees. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Trustees.

Assigned – amounts intended to be used for specific purposes, as determined by management. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the government’s policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the government’s policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

The amounts included in assigned fund balance are as follows:

Compensated absences liability	\$ 481,999
60% of OPEB obligation	2,940,000
Capital improvements	<u>4,456,272</u>
	<u>\$ 7,878,271</u>

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, deferred outflows, liabilities, deferred inflows 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.

Adoption of New Accounting Standards

Statement No. 85, *Omnibus 2017* addresses practice issues that were identified during implementation and application of certain GASB Statements. This statement covers issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits), which is effective for the fiscal year ending March 31, 2019.

Upcoming Accounting and Reporting Changes

In addition, the Governmental Accounting Standards Board has released the following Statements.

Statement No. 87, *Leases* increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were 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. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The requirements of this Statement are effective for the fiscal year ending March 31, 2021.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the financial statements related to debt, including direct borrowings and direct placements. It also clarifies

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which liabilities should be included when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending March 31, 2020.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending March 31, 2021.

The Library is evaluating the impact that the above GASB Statements will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary information

The Library is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The Library prepares the proposed operating budget for the fiscal year commencing April 1. Prior to incurring significant expenditures, the budget is then legally enacted through Board of Trustees action. The budget is then legally adopted and maintained at the functional level in the General Fund, which corresponds to the level of detail shown in the budgetary comparison schedules. The Gift Fund is adopted and maintained at the fund level. Budgeted amounts are reported as originally adopted and as amended by the Board of Trustees during the year.

Note 3 - Deposits and Investments

At year end the Library's deposits and investments were reported in the financial statements in the following categories:

	Cash and Cash Equivalents	Investments	Total
Governmental activities	\$ 529,854	\$ 12,035,544	\$ 12,565,398
Fiduciary funds	-	2,199,724	2,199,724
Total	\$ 529,854	\$ 14,235,268	\$ 14,765,122

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The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Total
Bank deposits (checking and savings accounts and certificates of deposit)	\$ 525,854	\$ -	\$ 525,854
Investments	12,035,544	2,199,724	14,235,268
Petty cash and cash on hand	4,000	-	4,000
	<u>\$ 12,565,398</u>	<u>\$ 2,199,724</u>	<u>\$ 14,765,122</u>

As of year end, the Library had the following investments:

Investment	Fair Value	Maturities	Rating	Rating Organization
US Treasury notes	\$ 3,586,212	4/2019 to 11/2019	AAA	Moody's
Fixed income mutual funds	9,299,121	N/A	N/A	N/A
International equities	335,570	N/A	N/A	N/A
US equities	<u>1,014,365</u>	N/A	N/A	N/A
	<u>\$ 14,235,268</u>			

Interest rate risk – The Library’s investment policy does not have specific limits in excess of State law on investment maturities to manage its exposure to fair value losses from changes in interest rates.

Credit risk – State statutes authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within

the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of 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. The investment policy adopted by the Library authorizes investment in bonds and securities of the United States government and bank accounts and certificates of deposit, as well as the remainder of State statutory authority as listed above.

Concentration of credit risk – The Library has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the government’s deposits may not be returned to it. State law does not require and the Library does not have a policy for custodial credit risk. As of year end, no such amounts were exposed to custodial credit risk because they were uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Library does not have a policy for investment custodial credit risk. Although uninsured and unregistered, the Library’s investments at March 31, 2019 are not subject to custodial credit risk.

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 asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

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The prices for most securities and certain security transactions are obtained by the investment custodian from independent quotation services whose appraisals are based on closing price(s), bid-ask quotations, or other factors; however, the investment custodian calculates prices for certain securities using information from independent and internal sources.

The Library has the following recurring fair value measurements as of March 31, 2019:

Investment Type	Fair Value Measurements			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
US Treasury notes	\$ -	\$ 3,586,212	\$ -	\$ 3,586,212
Fixed income mutual funds	9,299,121	-	-	9,299,121
International equities	335,570	-	-	335,570
US equities	1,014,365	-	-	1,014,365
Total	\$ 10,649,056	\$ 3,586,212	\$ -	\$ 14,235,268

Note 5 - Retirement Health Savings Plan

Plan description – The Library provides retiree healthcare to eligible full-time employees hired on or after May 1, 2011 and their spouses/qualified dependents through a Retirement Health Savings Plan. The plan provides a healthcare account for employees that is portable upon separation of employment from the Library with full vesting. At March 31, 2019, there were ten plan members.

Funding Policy – The obligation to contribute and maintain the plan for these employees was established by a resolution of the Library’s Board of Trustees and requires annual contribution from the Library of \$2,500 to each employee’s account while employed. The employees make an annual contribution of 2% of payroll while employed.

Participation is mandatory. The Library made contributions of \$25,962 and employees made contributions of \$11,362 to the plan for the year ended March 31, 2019.

Note 6 - Defined Contribution Benefit Plan

Plan Description – Qualified, full-time employees of Bloomfield Township Public Library are covered by the Charter Township of Bloomfield 401(a) Plan (the “Plan”), which is a defined contribution pension plan established by the Township to provide benefits at retirement for eligible employees. The Plan was effective April 1, 2011 for new library hires. At March 31, 2019, there were eleven plan members. A stand-alone financial report of the Plan has not been issued.

Funding Policy – The obligation to contribute and maintain the Plan for these employees was established by a resolution of the Library’s Board of Trustees and requires a contribution from the Library of 10 percent of participating employees’ payroll. The Library’s policy does not require or allow contributions from employees. Contributions to the Plan amounted to \$54,681 for the year ended March 31, 2019.

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Note 7 - Assets Held at Community Foundation

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

	Bloomfield Township Public Library Endowment Fund	Yvonne T. Atkinson Fund	Lawrence Smith and Isabel Francis Smith and Challenge Grant Fund	Jeanette P. Myers Memorial Scholarship Fund	Fair Radom Garden Endowment Fund	Library Director's Legacy Endowment Fund	Total
Balance - January 1, 2018	\$ 35,594	\$ 30,453	\$ 34,092	\$ 15,231	\$ 15,511	\$ 16,333	\$ 147,214
Contributions	492	-	473	-	-	264	1,229
Distribution	-	(1,281)	(1,549)	(639)	-	-	(3,469)
Investment earnings (losses)	(1,992)	(1,616)	(1,647)	(808)	(854)	(907)	(7,824)
Balance - December 31, 2018	<u>\$ 34,094</u>	<u>\$ 27,556</u>	<u>\$ 31,369</u>	<u>\$ 13,784</u>	<u>\$ 14,657</u>	<u>\$ 15,690</u>	<u>\$ 137,150</u>

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Note 8 - Capital Assets

Capital asset activity for the current year is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 131,015	\$ -	\$ -	\$ 131,015
Capital assets being depreciated				
Building and improvements	26,869,649	418,304	-	27,287,953
Furniture and equipment	4,933,910	189,353	331,761	4,791,502
Library books and materials	4,473,671	483,617	1,203,269	3,754,019
Total capital assets being depreciated	<u>36,277,230</u>	<u>1,091,274</u>	<u>1,535,030</u>	<u>35,833,474</u>
Less accumulated depreciation for				
Building and improvements	6,175,612	487,253	-	6,662,865
Furniture and equipment	4,183,638	221,849	317,453	4,088,034
Library books and materials	2,670,693	554,930	1,203,269	2,022,354
Total accumulated depreciation	<u>13,029,943</u>	<u>1,264,032</u>	<u>1,520,722</u>	<u>12,773,253</u>
Net capital assets being depreciated	<u>23,247,287</u>	<u>(172,758)</u>	<u>14,308</u>	<u>23,060,221</u>
Governmental activities capital assets, net	<u>\$ 23,378,302</u>	<u>\$ (172,758)</u>	<u>\$ 14,308</u>	<u>\$ 23,191,236</u>

Note 9 - Long-Term Debt

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 487,851	\$ 175,685	\$ 181,537	\$ 481,999	\$ 166,800

Note 10 - Debt Service Commitment

On November 7, 2013, the Charter Township of Bloomfield (the "Township") issued General Obligation Limited Tax Pension Obligation Bonds in the amount of \$80,780,000. The purpose of this bond issue was to fund the pension plan of the Charter Township, which the Library participates in. The Library's Board of Trustees have agreed to participate in the debt service applicable to these

bonds by paying a percentage of the total principal and interest requirements based on the pension accrued liability of the Library relative to the total pension accrued liability of the Township. This percentage has ranged from 3.42% to 3.63%. The committed principal and interest balance of \$3,086,963 is payable through May 1, 2032, with \$225,390 being due in the 2020 fiscal year at the current rate of 3.63%. This commitment will be serviced with revenues of the General Fund.

Note 11 - 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 participates with the Charter Township of Bloomfield in its risk management program to cover these risks.

Note 12 - Defined Benefit Pension Plan

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

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Employees covered by benefit terms – At the January 1, 2018 valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to, but not yet receiving benefits	2
Active employees	<u>14</u>
	<u>34</u>

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

The Township sold pension obligation bonds and the plan was fully funded as of January 1, 2014. The Library’s contribution to the Plan for the year ended March 31, 2019 was \$134,994, and was equal to the actuarially required contribution for the year.

Net pension liability – The Library’s net pension liability was determined as of March 31, 2019 (“Measurement Date”) and the actuarial valuation was performed as of January 1, 2018 (“Valuation Date”).

Actuarial assumptions – The total pension liability in the January 1, 2018 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include: 1) Salary increases 3.50% in the long-term; 2) Investment rate of return of 6.0%, net of investment expense, including inflation.

Mortality rates used were based on the RP2014 Total Data Set Mortality Table with Scale MP-2017 for Division 0, 1, and 3 and

RP2014 Blue Collar Mortality Table with Scale MP-2017 for Divisions 2, 4, 5, and 7.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses 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 or arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US core fixed income	50.0%	2.65%
US equity market	31.0%	4.86%
Foreign developed equity	19.0%	5.79%

Discount rate – The discount rate used to measure the total pension liability is 6.0%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plans fiduciary net position was projected to be available to pay 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.

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Total Pension Liability

Service cost	\$ 104,568
Interest on the total pension liability	479,354
Changes in assumptions	(174,265)
Differences between expected and actual experience	2,526
Benefit payments and refunds	<u>(422,907)</u>
 Net change in total pension liability	 (10,724)
 Total pension liability - beginning	 <u>8,312,467</u>
 Total pension liability - ending (a)	 <u>\$ 8,301,743</u>

employer's net pension liability would be using a discount rate that is 1% point lower (5%) or 1% higher (7%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Net pension liability	<u>\$ 1,752,063</u>	<u>\$ 668,638</u>	<u>\$ (229,181)</u>

Pension expense and deferred outflows of resources related to pensions – For the year ended March 31, 2019 the employer recognized pension expense of \$376,983. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

Plan Fiduciary Net Position

Employee contributions	\$ 10,648
Employer contributions	134,994
Pension plan net investment income (loss)	176,628
Benefit payments and refunds	(422,907)
Pension plan administrative expense	<u>(3,223)</u>
 Net change in plan fiduciary net position	 (103,860)
 Plan fiduciary net position - beginning	 <u>7,736,965</u>
 Plan fiduciary net position - ending (b)	 <u>7,633,105</u>

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total to Amortize
Differences in experience	\$ 23,231	\$ -	\$ 23,231
Changes in assumptions	46,533	(116,176)	(69,643)
Net difference between projected and actual earning on plan investments	<u>334,689</u>	<u>-</u>	<u>334,689</u>
 Total	 <u>\$ 404,453</u>	 <u>\$ (116,176)</u>	 <u>\$ 288,277</u>

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

	<u>Year Ended March 31,</u>	
Net pension liability (a-b)	2020	\$ 161,660
	2021	11,453
	2022	73,135
	2023	<u>42,029</u>
		<u>\$ 288,277</u>
Plan fiduciary net position as a percentage of total pension liability		91.95%
Covered employee payroll		\$ 948,596
Net pension liability as a percentage of covered employee payroll		70.49%

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the employer, calculated using the discount rate of 6.0%, as well as what the

Bloomfield Township Public Library
Notes to the Financial Statements
March 31, 2019

Note 13 - Other Postemployment Benefits

Plan description – The Library provides retiree healthcare benefits to eligible full-time employees hired before May 1, 2011 and their spouses/qualified dependents. The benefits provided to Library employees have been established by a resolution of the Library’s Board of Trustees.

Employees covered by benefit terms – At March 31, 2019, the plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	1
Inactive plan members entitled to, but not yet receiving benefit payments	24
Active plan members	<u>14</u>
	<u>39</u>

The plan is closed to new members.

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

Net OPEB liability – The OPEB liability was measured as of March 31, 2019 (“Measurement Date”), and the actuarial valuation used for the measurement was as of April 1, 2018 (“Valuation Date”).

Actuarial assumptions – The total OPEB liability was determined by an actuarial valuation as of April 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.70%
Salary increases	3.50%, including inflation
Investment rate of return	6.00%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	5.50% - 4.60% over 66 years

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 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. Best-estimate of arithmetic real rates of return for each major class included in the target asset allocation as of March 31, 2019 are summarized below along with the Board’s adopted asset allocation policy:

Asset class	Target allocation	Long-term expected real rate of return
US core fixed income	40.0%	2.65%
US equity market	45.0%	4.86%
Non-US equity	15.0%	6.06%

Discount rate – The discount rate used to measure the total OPEB liability was 6.00%. The discount rate is determined based on the 20 Year Tax-Exempt Municipal Bond Yield, as the fiduciary net position is not projected to be available to make all future projected benefit payments.

Bloomfield Township Public Library
Notes to the Financial Statements
March 31, 2019

Total OPEB Liability

Service cost	\$ 183,209
Interest	249,838
Differences between expected and actual experience	697,281
Changes in assumptions	(1,822,978)
Benefit payments	<u>(179,825)</u>
Net change in total OPEB liability	(872,475)
Total OPEB liability - beginning	<u>6,328,395</u>
Total OPEB liability - ending (a)	<u><u>\$ 5,455,920</u></u>

Plan Fiduciary Net Position

Employer contributions	\$ 2,263,881
Net investment income (loss)	115,668
Benefit payments	<u>(179,825)</u>
Net change in plan fiduciary net position	2,199,724
Plan fiduciary net position - beginning	<u>-</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 2,199,724</u></u>
Net OPEB liability (a-b)	<u><u>\$ 3,256,196</u></u>

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the Library, as well as what the Library’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower (5.00%) or 1% higher (7.00%) than the current discount rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$ 4,017,531</u>	<u>\$ 3,256,196</u>	<u>\$ 2,635,908</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the Library, as well as what the Library’s total OPEB liability would be if

were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$ 2,604,156</u>	<u>\$ 3,256,196</u>	<u>\$ 4,073,155</u>

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB – For the year ended March 31, 2019 the employer recognized OPEB expense of \$88,256. The employer reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total to Amortize</u>
Differences in experience	\$ 518,491	\$ -	\$ 518,491
Changes in assumptions	-	(1,355,548)	(1,355,548)
Net difference between projected and actual earning on plan investments	<u>-</u>	<u>(59,517)</u>	<u>(59,517)</u>
Total	<u>\$ 518,491</u>	<u>\$ (1,415,065)</u>	<u>\$ (896,574)</u>

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

<u>Year Ended March 31,</u>	
2020	\$ (303,519)
2021	(303,519)
2022	(274,656)
2023	<u>(14,880)</u>
	<u>\$ (896,574)</u>

Bloomfield Township Public Library
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 7,095,067	\$ 7,095,067	\$ 7,207,809	\$ 112,742
Penal fines	85,021	85,883	85,862	(21)
State aid	26,860	30,118	30,118	-
Circulation fines and fees	100,000	85,000	84,127	(873)
Charges for services	13,800	14,738	14,181	(557)
Investment earnings	79,000	79,000	259,542	180,542
Other revenue	13,497	16,011	16,353	342
Total revenues	<u>7,413,245</u>	<u>7,405,817</u>	<u>7,697,992</u>	<u>292,175</u>
Expenditures				
Personnel	4,119,114	6,238,223	6,122,533	115,690
Library services	875,133	845,601	743,714	101,887
Facilities and equipment	1,109,615	1,028,027	894,541	133,486
Other expenditures	3,022,865	1,089,105	894,283	194,822
Total expenditures	<u>9,126,727</u>	<u>9,200,956</u>	<u>8,655,071</u>	<u>545,885</u>
(Deficiency) of revenues (under) expenditures	(1,713,482)	(1,795,139)	(957,079)	838,060
Other financing sources				
Proceeds from sale of capital assets	-	1,066	1,066	-
Net change in fund balance	(1,713,482)	(1,794,073)	(956,013)	838,060
Fund balance - beginning of year	<u>12,889,675</u>	<u>12,889,675</u>	<u>12,889,675</u>	<u>-</u>
Fund balance - end of year	<u>\$ 11,176,193</u>	<u>\$ 11,095,602</u>	<u>\$ 11,933,662</u>	<u>\$ 838,060</u>

Bloomfield Township Public Library
Required Supplementary Information
Budgetary Comparison Schedule
Gift Fund
For the Year Ended March 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Gift income	\$ 500	\$ 75,989	\$ 86,292	\$ 10,303
Investment earnings	200	200	622	422
Total revenues	<u>700</u>	<u>76,189</u>	<u>86,914</u>	<u>10,725</u>
Expenditures				
Library services	64,094	104,079	51,146	52,933
Facilities and equipment	30,493	47,371	31,370	16,001
Other expenditures	90,928	109,557	17,721	91,836
Total expenditures	<u>185,515</u>	<u>261,007</u>	<u>100,237</u>	<u>160,770</u>
Excess (deficiency) of revenues over expenditures	(184,815)	(184,818)	(13,323)	171,495
Fund balance - beginning of year	<u>178,428</u>	<u>178,428</u>	<u>178,428</u>	<u>-</u>
Fund balance - end of year	<u>\$ (6,387)</u>	<u>\$ (6,390)</u>	<u>\$ 165,105</u>	<u>\$ 171,495</u>

**Bloomfield Township Public Library
 Required Supplementary Information
 Retirement System
 Schedule of Employer Contributions
 March 31, 2019**

Actuarial Valuation Date	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2016	\$ -	\$ -	\$ -	1,078,668	- %
2017	-	-	-	948,042	- %
2018	-	-	-	916,518	- %
2019	134,994	134,994	-	948,596	14.23%

Note: GASB Statement No. 68 was implemented for the fiscal year ended March 31, 2016 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

Bloomfield Township Public Library
Required Supplementary Information
Retirement System
Schedule of Changes in Net Pension Liability and Related Ratios
March 31, 2019

Fiscal year ended March 31,	2019	2018	2017	2016
Total Pension Liability				
Service cost	\$ 104,568	\$ 108,515	\$ 116,520	\$ 108,762
Interest on the total pension liability	479,354	475,572	458,983	442,247
Changes in assumptions	(174,265)	-	-	-
Differences between expected and actual experience	2,526	160,097	67,807	251,783
Benefit payments and refunds	<u>(422,907)</u>	<u>(407,372)</u>	<u>(376,909)</u>	<u>(350,338)</u>
Net change in total pension liability	(10,724)	336,812	266,401	452,454
Total pension liability - beginning	<u>8,312,467</u>	<u>7,975,655</u>	<u>7,709,254</u>	<u>7,256,800</u>
Total pension liability - ending (a)	<u>\$ 8,301,743</u>	<u>\$ 8,312,467</u>	<u>\$ 7,975,655</u>	<u>\$ 7,709,254</u>
Plan Fiduciary Net Position				
Employee contributions	\$ 10,648	\$ 11,407	\$ 11,942	\$ 11,194
Employer contributions	134,994	-	-	-
Pension plan net investment income (loss)	176,628	363,435	521,445	(5,556)
Benefit payments and refunds	(422,907)	(407,372)	(376,909)	(350,338)
Pension plan administrative expense	<u>(3,223)</u>	<u>(3,061)</u>	<u>(3,252)</u>	<u>(3,105)</u>
Net change in plan fiduciary net position	(103,860)	(35,591)	153,226	(347,805)
Plan fiduciary net position - beginning	<u>7,736,965</u>	<u>7,772,556</u>	<u>7,619,330</u>	<u>7,967,135</u>
Plan fiduciary net position - ending (b)	<u>\$ 7,633,105</u>	<u>\$ 7,736,965</u>	<u>\$ 7,772,556</u>	<u>\$ 7,619,330</u>
Net pension liability (a-b)	<u>\$ 668,638</u>	<u>\$ 575,502</u>	<u>\$ 203,099</u>	<u>\$ 89,924</u>
Plan fiduciary net position as a percentage of total pension liability	91.95%	93.08%	97.45%	98.83%
Covered employee payroll	\$ 948,596	\$ 916,518	\$ 948,042	\$ 1,078,668
Net pension liability as a percentage of covered employee payroll	70.49%	62.79%	21.42%	8.34%

*GASB Statement No. 68 was implemented for the fiscal year ended March 31, 2016 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

Bloomfield Township Public Library
Required Supplementary Information
Retirement System
Schedule of Investment Returns
March 31, 2019

Fiscal Year Ended March 31,	Annual Return % *
2016	-0.10%
2017	6.90%
2018	4.70%
2019	2.30%

* Annual money-weighted rate of return, net of investment expenses

GASB Statement No. 68 was implemented for the fiscal year ended March 31, 2016 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

**Bloomfield Township Public Library
 Required Supplementary Information
 Other Post-employment Benefits
 Schedules of Employer Contributions
 March 31, 2019**

Fiscal Year Ending March 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2018	\$ 577,040	\$ 166,632	\$ 410,408	\$ 1,087,983	15.32%
2019	636,780	2,263,881	(1,627,101)	893,666	253.33%

Notes to Schedule of Contributions

Valuation date: April 1, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Remaining amortization period	20 years
Asset valuation method	Market Value
Inflation	2.70%
Healthcare cost trend rates	5.50% - 4.60% over 66 years
Salary increases	3.50%
Discount rate	6.00%

Bloomfield Township Public Library
Required Supplementary Information
Other Post-employment Benefits
Schedule of Changes in Total OPEB Liability and Related Ratios
March 31, 2019

Fiscal year ended March 31,	2019	2018
Total OPEB Liability		
Service cost	\$ 183,209	\$ 225,477
Interest	249,838	239,445
Benefit payments	(179,825)	(166,632)
Differences between expected and actual experience	697,281	(30,198)
Changes in assumptions	(1,822,978)	-
Net change in total OPEB liability	(872,475)	268,092
Total OPEB liability - beginning	6,328,395	6,060,303
Total OPEB liability - ending (a)	\$ 5,455,920	\$ 6,328,395
Plan Fiduciary Net Position		
Employer contributions	\$ 2,263,881	\$ 166,632
Net investment income (loss)	115,668	-
Benefit payments	(179,825)	(166,632)
Net change in plan fiduciary net position	2,199,724	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending (b)	\$ 2,199,724	\$ -
Net OPEB liability (a-b)	\$ 3,256,196	\$ 6,328,395
Plan fiduciary net position as a percentage of total OPEB liability	40.32%	- %
Covered employee payroll	\$ 893,666	\$ 1,087,983
Net OPEB liability as a percentage of covered employee payroll	364.36%	581.66%

*GASB Statement No. 75 was implemented for the fiscal year ended March 31, 2018 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

**Bloomfield Township Public Library
 Required Supplementary Information
 Other Post Employment Benefits
 Schedule of Investment Returns
 March 31, 2019**

Fiscal Year Ended March 31,	Annual Return % *
2018	N/A
2019	24.12%

* Annual money-weighted rate of return, net of investment expenses

GASB Statement No. 74 was implemented for the fiscal year ended March 31, 2018 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.



September 10, 2019

Management and the Board of Trustees
Bloomfield Township Public Library
1099 Lone Pine Road
Bloomfield Township, MI 48302

We have completed our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bloomfield Township Public Library (the Library) as of and for the year ended March 31, 2019, and have issued our report dated September 10, 2019. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The first appendix to this letter sets forth those communications as follows:

I. Auditors' Communication of Significant Matters with Those Charged with Governance

In addition, we have identified additional matters that are not required to be communicated but we believe are valuable for management:

II. Matters for Management's Consideration

We discussed these matters with various personnel in the Library during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Trustees, and others within the Library, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.

Auburn Hills, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated January 16, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Library are described in the footnotes of the financial statements. The Library has adopted Government Accounting Standards Board Statement effective April 1, 2018:

- No. 85, *Omnibus 2017*. The Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)).

We noted no transactions entered into by the Library during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

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 Library's financial statements were:

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Net OPEB liability, and the related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole and free from bias.

Disclosures in the financial statements are neutral, consistent and clear.

Accounting Standards and Regulatory Updates

Accounting Standards

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in Note 1 of the financial statements.

Chart of Accounts

The Michigan Department of Treasury released a new version of the uniform chart of accounts in April 2017. Significant changes were made which expanded the breadth of information now available to governmental entities. We encourage your Library to review the uniform chart of accounts to ensure the accounting records are in compliance with the guidelines set forth in the expanded version. At the current time, Treasury has delayed the required implementation of the uniform chart of accounts. No updated implementation date has yet been communicated. The uniform chart of accounts is available on the Michigan Department of Treasury's website at http://www.michigan.gov/documents/uniformchart_24524_7.pdf. If questions arise from your review of this information please contact us for assistance.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures that were more than trivial.

There were no uncorrected misstatements that were more than trivial.

Disagreements with Management

For purposes 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 auditors' report. We are pleased to report we had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other 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.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to 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 to our retention.

Report on Required Supplementary Information

With respect to the required supplementary information accompanying the financial statements, which includes management's discussion and analysis, budgetary comparison information, retirement system schedules, and other post-employment benefit schedules, we applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

Appendix II

Matters for Management's Consideration

In planning and performing our audit of the financial statements of Bloomfield Township Public Library as of and for the year ended March 31, 2019, we considered Bloomfield Township Public Library's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

However, during our audit we became aware of the following matter for management's consideration that is an opportunity for improving operating efficiency. This letter does not affect our report dated September 10, 2019, on the financial statements of Bloomfield Township Public Library. Our comments and recommendations regarding that matter is:

Fund Balance Policy

The Library's financial statements present a committed fund balance each year that is equal to eight (8) months of operating expenditures. No formal action is taken for this commitment other than through the annual budgetary process and the ongoing understanding between the Board and Management that this amount be maintained going forward. The Library does have an "unofficial" fund balance policy that was written in 2011 but never adopted by the Board. This policy calls for eight (8) months of total expenditures to be maintained as a "minimum unassigned" amount, which has been interpreted to be shown as committed fund balance.

We recommend that the Library evaluate the "unofficial" fund balance policy considering current internal and external factors and take steps to update the policy and have it formally adopted by the Board. For more information on fund balance policies, please see the recent Yeo & Yeo Governmental blog site article on fund balance policy development, using the following link <https://www.yeolandyeo.com/blog/how-to-develop-a-fund-balance-policy-to-help-communicate-with-governmental-stakeholders>.