

Redford Township District Library

Financial Report

March 31, 2005

Redford Township District Library

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Independent Auditor's Report

To the Board of Directors
Redford Township District Library

We have audited the accompanying basic financial statements of Redford Township District Library as of and for the year ended March 31, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the Redford Township District Library's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Redford Township District Library as of March 31, 2005 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Library management's discussion and analysis and budgetary comparison schedule - General Fund, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

As described in Note I, the Library has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of April 1, 2004.

Plante & Moran, PLLC

June 2, 2005



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Redford Township District Library

Library Management's Discussion and Analysis

Our discussion and analysis of the Redford Township District Library's financial performance provides an overview of the Library's financial activities for the fiscal year ended March 31, 2005. Please read it in conjunction with the Library's financial statements.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Library's operations in more detail than the government-wide financial statements by providing information about the Library's most significant funds.

Statement of Net Assets/Statement of Activities

The following table shows, in a condensed format, the current year's net assets:

Assets

Current assets	\$ 6,657,135
Capital assets	9,910,635
Total assets	16,567,770

Liabilities

Current liabilities	1,715,570
Long-term liabilities	7,739,172
Total liabilities	9,454,742

Net Assets

Investment in capital assets - Net of related debt	1,930,635
Restricted	145,320
Unrestricted	5,037,073
Total net assets	<u>\$ 7,113,028</u>

Redford Township District Library

Library Management's Discussion and Analysis (Continued)

The Library has net assets of approximately \$7.1 million. In future reports, comparative data will be provided. Comparative data is not required during the first year of reporting under GASB No. 34; therefore, a comparative statement is not part of the management's discussion and analysis.

The following table shows the changes of the net assets during the fiscal year ended March 31, 2005:

Revenue	
Tax levy	\$ 1,778,745
Single business tax	94,998
Penal fines	68,367
State aid	48,619
Book fines	31,260
Investment earnings	180,318
Miscellaneous	30,374
Total revenue	2,232,681
Expenses	
Personnel	575,745
Contractual services and books	13,381
Supplies	10,680
Operating costs	224,873
Debt service	318,637
Capital outlay	40,620
Depreciation	538,157
Total expenses	1,722,093
Change in Net Assets	\$ 510,588

The Library's total revenue increased by approximately \$62,000 in the current year. The increase was primarily due to increases in property taxes, interest income, and contributions which are recorded in miscellaneous revenue.

Redford Township District Library

Library Management's Discussion and Analysis (Continued)

Budgetary Highlights

Over the course of the year, the Library did not have any budget amendments. The Library did not budget for a one-time transfer of \$595,756 from the General Fund to the Capital Projects Fund because the amount transferred was not determined until the end of the year. The transfer was used to fund a portion of the new library building construction cost. With the exception of this transfer, the Library did not have any negative budget variances, and actual expenditures were \$306,242 below budget.

Capital Asset and Debt Administration

During the current year, the Library completed construction of a new library building and moved into the new facility in August 2004. The library building was constructed with the proceeds received from the issuance of \$8.5 million 2002 Library Building and Site Bonds. The outstanding balance on the bonds was \$7.98 million on March 31, 2005.

Included in the construction of the library building was the Checkpoint Security System which changed the way materials are tracked and accounted for at the Library. This system helps the Library safeguard materials and allows customers to use a self check out system as they desire.

During the year, the Library upgraded its circulation system. The system was upgraded to the Sirsi Workflows circulation system through the Library's affiliation with The Library Network (TLN).

Economic Factors and Next Year's Budgets and Rates

Next year will be the Library's first full year in the new building. The new building is significantly larger than the old one, so next year's budget calls for increases in budgeted expenditures for utilities and maintenance costs. In addition, the increased size and use have called for some increases in staff to better serve the public. The Library is currently reviewing staffing levels and may increase the budget for personnel services.

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.

Redford Township District Library

	Individual Library Funds				
	General Fund	Special Revenue Fund - Accrued Employee Benefits Fund	Debt Service Fund	Capital Projects Fund	Total - Modified-accrual Basis
Assets					
Cash and investments (Note 3)	\$ 5,163,107	\$ -	\$ 690,561	\$ 537,928	\$ 6,391,596
Taxes receivable	117,204	-	53,337	-	170,541
Due from other funds/internal balances (Note 4)	-	84,000	-	125,132	209,132
Due from other governmental units	94,998	-	-	-	94,998
Capital assets (Note 5)	-	-	-	-	-
Total assets	\$ 5,375,309	\$ 84,000	\$ 743,898	\$ 663,060	\$ 6,866,267
Liabilities					
Accounts payable	\$ 47,500	\$ -	\$ -	\$ 152,188	\$ 199,688
Accrued and other liabilities	3,119	-	-	-	3,119
Deferred property taxes	117,204	-	598,578	-	715,782
Due to other funds (Note 4)	209,132	-	-	-	209,132
Due to other governmental units	-	-	-	510,872	510,872
Compensated absences (Note 6):					
Due within one year	-	-	-	-	-
Due in more than one year	-	-	-	-	-
Long-term debt (Note 6):					
Due within one year	-	-	-	-	-
Due in more than one year	-	-	-	-	-
Total liabilities	376,955	-	598,578	663,060	1,638,593
Fund Balances - Unreserved (Note 7)	4,998,354	84,000	145,320	-	5,227,674
Total liabilities and fund balances	\$ 5,375,309	\$ 84,000	\$ 743,898	\$ 663,060	\$ 6,866,267
Net Assets					
Invested in capital assets - Net related debt					
Restricted - Debt Service					
Unrestricted					
Total net assets					

**Individual Funds Balance Sheets/Statement of Net Assets
March 31, 2005**

Library as a Whole	Statement of Net Assets - Full Accrual Basis
GASB No. 34 Adjustments (Note 11)	
\$ -	\$ 6,391,596
-	170,541
(209,132)	-
-	94,998
<u>9,910,635</u>	<u>9,910,635</u>
9,701,503	16,567,770
-	199,688
-	3,119
-	715,782
(209,132)	-
-	510,872
11,109	11,109
34,172	34,172
275,000	275,000
<u>7,705,000</u>	<u>7,705,000</u>
7,816,149	9,454,742
<u>(5,227,674)</u>	<u>-</u>
1,930,635	1,930,635
145,320	145,320
<u>5,037,073</u>	<u>5,037,073</u>
<u>\$ 7,113,028</u>	<u>\$ 7,113,028</u>

Redford Township District Library

	Individual Library Funds				
	General Fund	Special Revenue Fund - Accrued Employee Benefits Fund	Debt Service Fund	Capital Projects Fund	Total - Modified-Accrual Basis
Revenue					
Tax levy	\$ 1,166,862	\$ -	\$ 611,883	\$ -	\$ 1,778,745
Single business tax	94,998	-	-	-	94,998
Penal fines	68,367	-	-	-	68,367
State aid	48,619	-	-	-	48,619
Book fines	31,260	-	-	-	31,260
Investment earnings	77,606	-	4,011	98,701	180,318
Miscellaneous	30,374	-	-	-	30,374
Total revenue	1,518,086	-	615,894	98,701	2,232,681
Expenditures					
Personnel	645,852	-	-	-	645,852
Contractual services and books	194,453	-	-	-	194,453
Supplies	10,680	-	-	-	10,680
Operating costs	224,873	-	-	-	224,873
Debt service	-	-	578,637	-	578,637
Capital outlay	3,400	-	-	3,422,360	3,425,760
Depreciation	-	-	-	-	-
Total expenditures	1,079,258	-	578,637	3,422,360	5,080,255
Excess of Revenue Over (Under) Expenditures	438,828	-	37,257	(3,323,659)	(2,847,574)
Other Financing Sources (Uses)					
Operating transfers in (Note 4)	-	10,000	-	595,756	605,756
Operating transfers out (Note 4)	(605,756)	-	-	-	(605,756)
Total other financing sources (uses)	(605,756)	10,000	-	595,756	-
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Uses	(166,928)	10,000	37,257	(2,727,903)	(2,847,574)
Fund Balance/Net Assets - Beginning of year	5,165,282	74,000	108,063	2,727,903	8,075,248
Fund Balance/Net Assets - End of year	\$ 4,998,354	\$ 84,000	\$ 145,320	\$ -	\$ 5,227,674

**Individual Funds Statements of Revenue, Expenditures, and Changes
in Fund Balance/Statement of Activities
Year Ended March 31, 2005**

GASB No. 34 Adjustments (Note 11)	Library as a Whole	Statement of Activities - Full Accrual Basis
\$ -		\$ 1,778,745
-		94,998
-		68,367
-		48,619
-		31,260
-		180,318
-		30,374
		2,232,681
(70,107)		575,745
(181,072)		13,381
-		10,680
-		224,873
(260,000)		318,637
(3,385,140)		40,620
538,157		538,157
		1,722,093
(3,358,162)		
		3,358,162
		510,588
(605,756)		-
605,756		-
		-
		-
		3,358,162
		510,588
(1,472,808)		6,602,440
		6,602,440
\$ 1,885,354		\$ 7,113,028

Redford Township District Library

**Notes to Financial Statements
March 31, 2005**

Note I - Summary of Significant Accounting Policies

The accounting policies of the Redford Township District Library (the "Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Library:

Reporting Entity

The Library is governed by an appointed seven-member board of trustees. In accordance with generally accepted accounting principles, there are no component units to be included in these financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Library's basic financial statements include both the Library as a Whole and its individual fund financial statements.

Library as a Whole Financial Statements

The Library as a Whole financial statements (i.e., the statement of net assets and the statement of activities columns) are reported using the economic resources measurement focus and the accrual basis of accounting, which is described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenue, grants, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts: invested in capital assets - net of related debt, restricted net assets, and unrestricted net assets.

The statement of activities includes depreciation on long-term assets and eliminates capital outlay expense.

As a general rule, the effect of interfund activity has been eliminated from the library-wide financial statements.

Redford Township District Library

**Notes to Financial Statements
March 31, 2005**

Note I - Summary of Significant Accounting Policies (Continued)

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the library-wide statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Fund Financial Statements

The Library's individual fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting, which is described below.

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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 relating to compensated absences and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

The Library reports the following governmental funds:

General Fund - The General Fund contains the records of the ordinary activities of the Library. General Fund activities are financed by revenue from a general property tax millage, state aid, and other sources.

Special Revenue Fund - Accrued Employee Benefits - The Special Revenue Fund is used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions. The Library's Accrued Employee Benefits Fund (a Special Revenue Fund) was created to account for contributions received from the General Fund toward the funding of these benefits.

Debt Service Fund - The Debt Service Fund is used to account for the annual payments of principal, interest, and expenses in connection with the 2002 Library Building and Site Bonds. Debt Service Fund activities are financed by revenue from a property tax millage that expires in 2021.

Redford Township District Library

Notes to Financial Statements March 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Projects Fund - The Capital Projects Fund is used to account for the activity related to constructing, equipping, and furnishing the new library building.

Assets, Liabilities, and Net Assets or Equity

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.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds."

Property Taxes - Property tax receivables are shown as net of allowance for uncollectible amounts, if deemed necessary. Properties are assessed as of December 31, and the related property taxes are billed and become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

The December 1, 2004 operating millage is intended (by state constitution) to finance operations for the year ended March 31, 2005. Therefore, it is recognized as revenue during the current year. The December 1, 2004 debt levy is intended to finance the debt service for the year beginning April 1, 2005 and will be recognized in the next year. Accordingly, the December 1, 2003 debt levy is recognized as revenue in the year ended March 31, 2005.

The 2004 taxable valuation of the Library totaled approximately \$1.3 billion, on which taxes levied consisted of .9368 mills for the Library's operations and .4740 mills for debt service. This resulted in \$1.2 million for operations and \$600,000 for debt service. These amounts are recognized in the respective General Fund and Debt Service Fund financial statements as tax revenue.

Capital Assets - Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Redford Township District Library

Notes to Financial Statements March 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Buildings, furniture and equipment, and library books, periodicals, and videos are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Furniture and equipment	5-15 years
Library books and AV materials	2-10 years

Compensated Absences (Vacation and Sick Leave) - It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay is accrued when incurred in the library-wide financial statements. A liability for these amounts is reported in governmental funds only for eligible employee terminations as of 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 2 - Stewardship, Compliance, and Accountability

Budget Information - The annual budget is prepared by the director and the Library board and adopted by the Library board; subsequent amendments are approved by the Library board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2005 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

A budget was not prepared for the accrued Employee Benefits Fund, because no expenditures were anticipated.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that operating transfers are recorded as expenditures. The budget statement (statement of revenue, expenditures, and changes in fund balance - budget and actual - General Fund) is presented on the same basis of accounting and level of detail as the adopted budget. State law requires expenditures to stay within appropriated amounts. The Library had one expenditure budget overrun for the year ended March 31, 2005, related to the operating transfer from the General Fund to the Capital Projects Fund, which was not budgeted.

Redford Township District Library

Notes to Financial Statements March 31, 2005

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91, 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 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.

The Library has designated four banks for the deposit of Library funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in the following instruments:

- In bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest are fully guaranteed by the United States. This subdivision shall include securities issued or guaranteed by the Government National Mortgage Association.
- In certificates of deposit, savings accounts, investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation, or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union meet all criteria as depository of public funds contained in state law.

The Library's deposits and investments are classified by Governmental Accounting Standards Board Statement No. 3 in the following categories:

	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 3,380,861
Investment in bank investment pools and U.S. government securities	<u>3,010,735</u>
Total	<u>\$ 6,391,596</u>

Redford Township District Library

Notes to Financial Statements
March 31, 2005

Note 3 - Deposits and Investments (Continued)

Deposits

The Library's deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$3,380,861, of which \$400,000 was covered by federal depository insurance, and the remainder was uninsured and uncollateralized.

The Library believes that due to the dollar amounts of cash deposits and limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Library evaluates each financial institution with which it deposits Library funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments

Investments are categorized into the following three categories of credit risk:

Category 1 - Insured or registered, with securities held by the Library or its agent in the Library's name;

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Library's name; and

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Library's name.

At year end, the Library's investment balances were categorized as follows:

	Category			Reported Amount (Fair Value)
	1	2	3	
U.S. government securities	\$ -	\$ 992,500	\$ -	\$ 992,500
Bank investment pools				2,018,235
Total				\$ 3,010,735

Redford Township District Library

Notes to Financial Statements March 31, 2005

Note 3 - Deposits and Investments (Continued)

Investments not subject to categorization are not evidenced by securities that exist in physical or book entry form. The bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. The bank investment pools are regulated by the Michigan Banking Act; the fair value of the position in the pools is the same as the value of the pool shares.

Note 4 - Interfund Receivables, Payables, and Transfers

The following are the interfund receivables at March 31, 2005:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ 125,132
Special Revenue Fund	General Fund	84,000
	Total interfund receivables	<u>\$ 209,132</u>

These balances result from the time lag between the recording of the transaction in the accounting system and the actual payments being made between funds.

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

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 595,756
General Fund	Special Revenue Fund	10,000
	Total interfund transfers	<u>\$ 605,756</u>

The General Fund transfer to the Capital Projects Fund represents the use of unrestricted resources to finance a portion of the new library building. The General Fund transfer to the Special Revenue Fund represents the use of unrestricted funds to fund future employee benefit expenses.

Redford Township District Library

Notes to Financial Statements March 31, 2005

Note 5 - Capital Assets

Capital asset activity of the Library was as follows:

	Balance April 1, 2004	Transfers	Additions	Disposals	Balance March 31, 2005
Capital assets not being depreciated:					
Land	\$ -	\$ 325,000	\$ -	\$ -	\$ 325,000
Construction in progress	5,818,629	(5,818,629)	-	-	-
Capital assets being depreciated:					
Building	-	5,382,569	2,440,485	-	7,823,054
Furniture and equipment	382,483	111,060	814,153	(382,483)	925,213
Library books and audiovisual materials	2,391,120	-	311,573	-	2,702,693
Subtotal	2,773,603	5,493,629	3,566,211	(382,483)	11,450,960
Less accumulated depreciation	(1,709,651)	-	(538,157)	382,483	(1,865,325)
Net capital assets being depreciated	1,063,952	5,493,629	3,028,054	-	9,585,635
Net capital assets	<u>\$ 6,882,581</u>	<u>\$ -</u>	<u>\$ 3,028,054</u>	<u>\$ -</u>	<u>\$ 9,910,635</u>

Capital assets, including library books, are recorded at cost. Depreciation expense was \$538,157 for the year ended March 31, 2005.

Note 6 - Long-term Debt

The Library issued bonds to provide for the acquisition and construction of a Library facility. The Library has the following long term debt outstanding as on March 31, 2005:

	Principal Maturity Ranges	Balance April 1, 2004	Additions	Reductions	Balance March 31, 2005	Due Within One Year
Governmental Activities						
Bonds payable - 2002 Library and Building and Site Bonds, original issue of \$8,500,000 maturing through 2023, with interest rates ranging from 2.75%-4.65%	\$275,000- \$665,000	\$ 8,240,000	\$ -	\$ (260,000)	\$ 7,980,000	\$ 275,000
Other long-term liabilities - Compensated absences	N/A	115,388	10,729	(80,836)	45,281	11,109
Total long-term debt and other long-term liabilities		<u>\$ 8,355,388</u>	<u>\$ 10,729</u>	<u>\$ (340,836)</u>	<u>\$ 8,025,281</u>	<u>\$ 286,109</u>

Redford Township District Library

Notes to Financial Statements March 31, 2005

Note 6 - Long-term Debt (Continued)

The compensated absences represent the estimated liability to be paid employees under the Library's vacation and sick pay policy. Under the Library's policy, employees earn vacation time based on time of service with the Library.

Debt Service Requirements

The annual requirements to service all debt outstanding as of March 31, 2005 (excluding employee benefits), including both principal and interest, are as follows:

Years Ending March 31	Principal	Interest	Total
2006	\$ 275,000	\$ 310,956	\$ 585,956
2007	290,000	303,187	593,187
2008	305,000	294,625	599,625
2009	320,000	284,850	604,850
2010	340,000	274,125	614,125
2011-2015	1,980,000	1,171,375	3,151,375
2016-2020	2,570,000	722,468	3,292,468
2021-2023	1,900,000	134,621	2,034,621
Total	<u>\$ 7,980,000</u>	<u>\$ 3,496,207</u>	<u>\$ 11,476,207</u>

Note 7 - Designated Fund Balance

Library management has designated a portion of the fund balance of the General Fund for the following purposes:

Working capital	\$ 300,000
Property tax float	900,000
Capital improvements and replacements	750,000
Library construction - 2nd floor	<u>1,500,000</u>
Total designated fund balance	3,450,000
Undesignated fund balance	<u>1,548,354</u>
Total fund balance	<u>\$ 4,998,354</u>

Redford Township District Library

**Notes to Financial Statements
March 31, 2005**

Note 7 - Designated Fund Balance (Continued)

The working capital designation represents approximately 25 percent of current year expenditures. This amount is designated as the minimum amount of fund balance needed to operate the library.

The property tax float designation represents approximately 75 percent of the taxes levied in December 2004 to fund library operations from January to December 2005, until taxes are collected next year.

Capital improvements and replacements are designations to fund the estimated future capital outlay needs of the Library.

Library construction - 2nd floor is a designation to fund the costs associated with completing the construction of the unfinished space on the second floor of the Library.

Undesignated fund balance has not been designated for a specific purpose at this time, but Library management is in the processes of evaluating several potential uses.

Note 8 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance to cover these risks. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 - Pension Plan

Plan Description - The Library provides a defined benefit pension plan to its employees through the Michigan Municipal Employees' Retirement System (MMERS), an agent multiple employer pension plan. MMERS provides retirement and disability benefits; these benefits were established and may be amended through contracts with the Library's employees. MMERS issues a publicly available financial report that includes financial statements as well as trend information for the system; that report may be obtained by writing to 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy - The obligation to contribute to and maintain MMERS for these employees was established by negotiation with the Library's contract employees and requires no employee contributions.

Redford Township District Library

Notes to Financial Statements March 31, 2005

Note 9 - Pension Plan (Continued)

Annual Pension Cost - For the year ended March 31, 2005, the Library's annual pension cost of \$47,400 was equal to the required and actual contribution that was determined by the actuarial valuation at December 31, 2002, using the entry age normal actuarial cost method. The actuarial assumptions included (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent to 8.7 percent per year, with a 4.5 percent inflation increase, and (c) no cost of living adjustments.

Three-year trend information is as follows:

	Fiscal Year Ended March 31		
	2003	2004	2005
Annual pension cost (APC)	\$ 35,600	\$ 36,700	\$ 47,400
Percentage of APC contributed	100.0%	100.0%	100.0%
	Valuation at December 31		
	2001	2002	2003
Actuarial value of assets	\$ 892,118	\$ 958,571	\$ 1,083,022
Actuarial accrued liability (AAL) (entry age)	\$ 903,307	\$ 976,977	\$ 1,075,076
Unfunded (overfunded) AAL (UAAL)	\$ 11,189	\$ 18,406	\$ (7,946)
Funded ratio	98.8%	98.1%	100.7%
Covered payroll	\$ 351,453	\$ 351,266	\$ 360,780
UAAL as a percentage of covered payroll	3.2%	5.2%	- %

Note 10 - Postemployment Benefits

The Library provides health care benefits to all full-time employees upon retirement, in accordance with employee contracts. Currently, the Library has no retirees who qualify for postemployment benefits. As employees become eligible to participate, the Library will include pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant. The Library will purchase Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year, no amounts were due.

Redford Township District Library

Notes to Financial Statements March 31, 2005

Note 10 - Postemployment Benefits (Continued)

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year beginning April 1, 2009.

Note 11 - Reconciliation of the Library as a Whole and the Individual Fund Financial Statements

Total fund balances and the net change in fund balances of the Library's individual funds differ from net assets and change in net assets of the Library as a whole reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current focus of the statement of the individual governmental funds' balance sheets and statements of revenue, expenditures, and change in fund balance. The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified Accrual Basis		\$ 5,227,674
Amounts reported in the statement of net assets are different because:		
Capital assets are not financial resources and are not reported in the funds		9,910,635
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Compensated absences:		
Current portion	\$ (11,109)	
Long-term portion	<u>(34,172)</u>	(45,281)
Long-term debt:		
Current portion	(275,000)	
Long-term portion	<u>(7,705,000)</u>	<u>(7,980,000)</u>
Total Net Assets - Full Accrual Basis		<u>\$ 7,113,028</u>

Redford Township District Library

Notes to Financial Statements March 31, 2005

Note 11 - Reconciliation of the Library as a Whole and the Individual Fund Financial Statements (Continued)

Net Change in Fund Balances - Modified Accrual Basis \$ (2,847,574)

Amounts reported in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities; these costs are allocated over their estimated useful lives as depreciation:

Library books and audiovisual materials	311,573
Capital outlay	3,254,639
Depreciation	(538,157)

Decrease in the accrual for compensated absences are reported as an expenditure in the fund financial statements, but not in the statement of activities	70,107
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Repayment of bond principal is an expenditure in the fund financial statement, but not in the statement of activities	<u>260,000</u>
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Change in Net Assets - Full Accrual Basis \$ 510,588

Note 12 - Accounting and Reporting Change

GASB No. 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*. The Library has applied the provisions of this statement in the accompanying financial statements (including notes to financial statements). Certain significant changes in the statement include the following:

- A management's discussion and analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations
- Financial statements prepared using full accrual accounting for the Library as a whole.

Redford Township District Library

**Notes to Financial Statements
March 31, 2005**

Note 12 - Accounting and Reporting Change (Continued)

- The full accrual financial statements for the Library as a whole include capital assets totaling \$9,910,635. Capital assets were previously reported in the General Fixed Assets Account Group.
- The full accrual financial statements for the Library as a whole include compensated absences totaling \$45,281 and long-term debt totaling \$7,980,000. These items were previously reported in the General Long-term Debt Account Group.

Required Supplemental Information

Redford Township District Library

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2005

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Revenues				
Millage	\$ 1,131,500	\$ 1,131,500	\$ 1,166,862	\$ 35,362
Single business tax	75,000	75,000	94,998	19,998
Penal fines	64,000	64,000	68,367	4,367
State aid	40,000	40,000	48,619	8,619
Book fines	25,000	25,000	31,260	6,260
Interest	60,000	60,000	77,606	17,606
Other	-	-	30,374	30,374
Total revenue	1,395,500	1,395,500	1,518,086	122,586
Expenditures				
Personnel services	767,500	767,500	655,852	111,648
Contractual services and books	270,000	270,000	194,453	75,547
Supplies	17,000	17,000	10,680	6,320
Operating costs	276,000	276,000	224,873	51,127
Capital outlay	60,000	60,000	3,400	56,600
Operating transfer out	-	-	595,756	(595,756)
Contingency	5,000	5,000	-	5,000
Total expenditures	1,395,500	1,395,500	1,685,014	(289,514)
Excess of Expenditures Over Revenue	-	-	(166,928)	<u>\$ (166,928)</u>
Fund Balance - Beginning of year	<u>5,165,282</u>	<u>5,165,282</u>	<u>5,165,282</u>	
Fund Balance - End of year	<u>\$ 5,165,282</u>	<u>\$ 5,165,282</u>	<u>\$ 4,998,354</u>	