

# **Redford Township District Library**

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**Financial Report  
with Supplemental Information  
March 31, 2007**

# 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 the Redford Township District Library as of and for the year ended March 31, 2007, 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, 2007 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 Redford Township District 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.

*Plante & Moran, PLLC*

June 4, 2007

# Redford Township District Library

## Management's Discussion and Analysis

Our discussion and analysis of the Redford Township District Library's (the "Library") financial performance provides an overview of the Library's financial activities for the fiscal year ended March 31, 2007. 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 as of March 31, 2007 and 2006:

	March 31	
	2007	2006
<b>Assets</b>		
Current assets	\$ 6,326,755	\$ 6,368,012
Capital assets	9,374,746	9,699,522
Total assets	15,701,501	16,067,534
<b>Liabilities</b>		
Current liabilities	1,022,878	1,217,250
Long-term liabilities	7,155,972	7,452,969
Total liabilities	8,178,850	8,670,219
<b>Net Assets</b>		
Investment in capital assets - Net of related debt	1,959,746	1,669,522
Restricted	160,317	145,029
Unrestricted	5,402,588	5,582,764
Total net assets	<u>\$ 7,522,651</u>	<u>\$ 7,397,315</u>

# Redford Township District Library

## Management's Discussion and Analysis (Continued)

The Library's combined net assets increased 1.5 percent from a year ago, increasing from approximately 7.4 million to 7.5 million.

The following table shows the changes of the net assets during the fiscal years ended March 31, 2007 and 2006:

	Year Ended March 31	
	2007	2006
<b>Revenue</b>		
Tax levy	\$ 1,813,817	\$ 1,797,860
Single business tax	94,998	94,998
Penal fines	46,984	64,359
State aid	57,823	22,458
Book fines	53,420	44,948
Investment earnings	250,828	168,197
Miscellaneous	28,182	13,592
Total revenue	2,346,052	2,206,412
<b>Expenses</b>		
Personnel	863,809	694,966
Contractual services and books	147,154	66,097
Supplies	17,021	15,746
Operating costs	385,160	322,858
Debt service	303,187	310,956
Capital outlay	11,542	7,792
Depreciation	492,843	503,710
Total expenses	2,220,716	1,922,125
<b>Change in Net Assets</b>	<b>\$ 125,336</b>	<b>\$ 284,287</b>

The Library's total revenue increased by approximately \$140,000 in the current year. The increase was primarily due to an increase in investment earnings.

Overall current year expenses increased from the prior year by approximately \$299,000 primarily due to increases in personnel, contractual services, books, supplies, and operating costs. The increases were primarily due to personnel changes made during the current year and increases in building operating and maintenance costs.

# **Redford Township District Library**

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## **Management's Discussion and Analysis (Continued)**

### **Budgetary Highlights**

Over the course of the year, the Library amended the budget to adjust for increases in personnel, operating costs, and capital items. The Library did not have any negative budget variances, and actual expenditures were \$55,702 below budget.

### **Capital Asset and Debt Administration**

During the year, the Library purchased office equipment, computer equipment, and library materials (books, CDs, and audio visual materials). 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 \$7.42 million on March 31, 2007.

### **Economic Factors and Next Year's Budgets and Rates**

Next year will be the Library's third full year in the new facility. The Library continues to monitor staffing levels and library services to ensure that it is meeting public needs.

The Library will no longer be receiving single business tax payments, which will reduce revenue by \$94,998 in 2008. The Library has been preparing for this decrease in revenue and is currently reviewing a long-range financial plan.

### **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	Total Modified Accrual Basis
<b>Assets</b>				
Cash and investments (Note 3)	\$ 5,696,325	\$ -	\$ 169,008	\$ 5,865,333
Taxes receivable	402,293	-	59,129	461,422
Due from other funds/internal balances (Note 4)	-	84,000	410,079	494,079
Capital assets (Note 5):				
Assets not being depreciated	-	-	-	-
Assets being depreciated	-	-	-	-
Total assets	<u>\$ 6,098,618</u>	<u>\$ 84,000</u>	<u>\$ 638,216</u>	<u>\$ 6,820,834</u>
<b>Liabilities</b>				
Accounts payable	\$ 45,411	\$ -	\$ -	\$ 45,411
Accrued and other liabilities	19,606	-	-	19,606
Deferred property taxes	154,565	-	477,899	632,464
Due to other funds (Note 4)	494,079	-	-	494,079
Due to other governmental units	205	-	-	205
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	713,866	-	477,899	1,191,765
<b>Fund Balances - Unreserved (Note 7)</b>	<u>5,384,752</u>	<u>84,000</u>	<u>160,317</u>	<u>5,629,069</u>
Total liabilities and fund balances	<u>\$ 6,098,618</u>	<u>\$ 84,000</u>	<u>\$ 638,216</u>	<u>\$ 6,820,834</u>
<b>Net Assets</b>				
Invested in capital assets - Net related debt				
Restricted - Debt service				
Unrestricted				
Total net assets				

**Individual Funds Balance Sheets/Statement of Net Assets  
March 31, 2007**

Library as a Whole	Statement of Net Assets - Full Accrual Basis
GASB No. 34 Adjustments (Note 11)	
\$ -	\$ 5,865,333
-	461,422
(494,079)	-
325,000	325,000
<u>9,049,746</u>	<u>9,049,746</u>
8,880,667	15,701,501
-	45,411
-	19,606
-	632,464
(494,079)	-
-	205
20,192	20,192
45,972	45,972
305,000	305,000
<u>7,110,000</u>	<u>7,110,000</u>
6,987,085	8,178,850
<u>(5,629,069)</u>	<u>-</u>
1,959,746	1,959,746
160,317	160,317
<u>5,402,588</u>	<u>5,402,588</u>
<b><u>\$ 7,522,651</u></b>	<b><u>\$ 7,522,651</u></b>

# Redford Township District Library

	Individual Library Funds			
	Special Revenue			Total Modified Accrual Basis
	Fund - Accrued			
	General Fund	Employee Benefits Fund	Debt Service Fund	
<b>Revenue</b>				
Tax levy	\$ 1,215,452	\$ -	\$ 598,365	\$ 1,813,817
Single business tax	94,998	-	-	94,998
Penal fines	46,984	-	-	46,984
State aid	57,823	-	-	57,823
Book fines	53,420	-	-	53,420
Investment earnings	240,718	-	10,110	250,828
Miscellaneous	28,182	-	-	28,182
<b>Total revenue</b>	<b>1,737,577</b>	<b>-</b>	<b>608,475</b>	<b>2,346,052</b>
<b>Expenditures</b>				
Personnel	847,475	-	-	847,475
Contractual services and books	299,698	-	-	299,698
Supplies	17,021	-	-	17,021
Operating costs	385,160	-	-	385,160
Debt service	-	-	593,187	593,187
Capital outlay	27,065	-	-	27,065
Depreciation	-	-	-	-
<b>Total expenditures</b>	<b>1,576,419</b>	<b>-</b>	<b>593,187</b>	<b>2,169,606</b>
<b>Excess of Revenue Over (Under)</b>				
<b>Expenditures</b>	161,158	-	15,288	176,446
<b>Fund Balance/Net Assets - Beginning of year</b>	<b>5,223,594</b>	<b>84,000</b>	<b>145,029</b>	<b>5,452,623</b>
<b>Fund Balance/Net Assets - End of year</b>	<b>\$ 5,384,752</b>	<b>\$ 84,000</b>	<b>\$ 160,317</b>	<b>\$ 5,629,069</b>

**Individual Funds Statements of Revenue, Expenditures, and Changes  
in Fund Balance/Statement of Activities  
Year Ended March 31, 2007**

	Library as a Whole		
GASB No. 34 Adjustments (Note 11)	Statement of Activities - Full Accrual Basis		
\$ -	\$ 1,813,817		
-	94,998		
-	46,984		
-	57,823		
-	53,420		
-	250,828		
-	28,182		
-	2,346,052		
16,334	863,809		
(152,544)	147,154		
-	17,021		
-	385,160		
(290,000)	303,187		
(15,523)	11,542		
492,843	492,843		
51,110	2,220,716		
(51,110)	125,336		
1,944,692	7,397,315		
<b>\$ 1,893,582</b>	<b>\$ 7,522,651</b>		

# Redford Township District Library

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**Notes to Financial Statements  
March 31, 2007**

## **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 Statement**

The Library as a whole financial statement (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

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**Notes to Financial Statements  
March 31, 2007**

## **Note 1 - 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

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**Notes to Financial Statements  
March 31, 2007**

## **Note I - Summary of Significant Accounting Policies (Continued)**

### **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.

**Investments** - Investments are recorded at fair value, based on quoted market prices.

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

**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, 2006 operating millage is intended (by state constitution) to finance operations for the year ended March 31, 2007. Therefore, it is recognized as revenue during the current year. The December 1, 2006 debt levy is intended to finance the debt service for the year beginning April 1, 2007 and will be recognized in the next year. Accordingly, the December 1, 2005 debt levy is recognized as revenue in the year ended March 31, 2007.

The 2006 taxable valuation of the Library totaled approximately \$1.3 billion, on which taxes levied consisted of .9233 mills for the Library's operations and .3345 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

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## Notes to Financial Statements March 31, 2007

### 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.

**Long-term Obligations** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

**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, 2007 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.

# Redford Township District Library

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**Notes to Financial Statements  
March 31, 2007**

## **Note 2 - Stewardship, Compliance, and Accountability (Continued)**

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 and the Library did not have any unfavorable expenditure budget variances.

## **Note 3 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The 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 mature 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 its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Library's deposits and investment policies are in accordance with statutory authority.

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

# Redford Township District Library

Notes to Financial Statements  
March 31, 2007

## Note 3 - Deposits and Investments (Continued)

### Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Library had \$1,656,654 of bank deposits (certificates of deposit, checking, money market, and savings accounts) that were uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

### Interest Rate Risk

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

<u>Investment</u>	<u>Fair Value</u>	<u>Maturity</u>
U.S. government securities	\$ 987,190	August 18, 2009

### Credit Risk

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

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank investments pool	\$ 2,721,606	AI	Moody's

# Redford Township District Library

## Notes to Financial Statements March 31, 2007

### Note 4 - Interfund Receivables and Payables

The following are the interfund receivables at March 31, 2007:

Receivable Fund	Payable Fund	Amount
Debt Service Fund	General Fund	\$ 410,079
Special Revenue Fund	General Fund	<u>84,000</u>
	Total interfund receivables	<u>\$ 494,079</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.

### Note 5 - Capital Assets

Capital asset activity of the Library was as follows:

	Balance April 1, 2006	Additions	Disposals	Balance March 31, 2007
Capital assets not being depreciated -				
Land	\$ 325,000	\$ -	\$ -	\$ 325,000
Capital assets being depreciated:				
Building	7,877,026	-	-	7,877,026
Furniture and equipment	970,703	15,523	-	986,226
Library books and audiovisual materials	<u>2,872,133</u>	<u>152,544</u>	<u>-</u>	<u>3,024,677</u>
Total	11,719,862	168,067	-	11,887,929
Less accumulated depreciation:				
Building	(314,001)	(157,541)	-	(471,542)
Furniture and equipment	(152,782)	(81,938)	-	(234,720)
Library books and audiovisual materials	<u>(1,878,557)</u>	<u>(253,364)</u>	<u>-</u>	<u>(2,131,921)</u>
Total	<u>(2,345,340)</u>	<u>(492,843)</u>	<u>-</u>	<u>(2,838,183)</u>
Net capital assets being depreciated	<u>9,374,522</u>	<u>(324,776)</u>	<u>-</u>	<u>9,049,746</u>
Net capital assets	<u>\$ 9,699,522</u>	<u>\$ (324,776)</u>	<u>\$ -</u>	<u>\$ 9,374,746</u>

# Redford Township District Library

## Notes to Financial Statements March 31, 2007

### 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 of March 31, 2007:

	Principal Maturity Ranges	Balance April 1, 2006	Additions	Reductions	Balance March 31, 2007	Due Within One Year
<b>Governmental Activities</b>						
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%	\$305,000 - \$665,000	\$ 7,705,000	\$ -	\$ (290,000)	\$ 7,415,000	\$ 305,000
Other long-term liabilities - Compensated absences	N/A	49,830	41,047	(24,713)	66,164	20,192
Total long-term debt and other long-term liabilities		\$ 7,754,830	\$ 41,047	\$ (314,713)	\$ 7,481,164	\$ 325,192

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, 2007 (excluding employee benefits), including both principal and interest, are as follows:

Years Ending March 31	Principal	Interest	Total
2008	\$ 305,000	\$ 294,625	\$ 599,625
2009	320,000	284,850	604,850
2010	340,000	274,125	614,125
2011	355,000	262,388	617,388
2012	375,000	249,426	624,426
2013-2017	2,200,000	1,012,398	3,212,398
2018-2022	2,855,000	488,795	3,343,795
2023	665,000	15,461	680,461
Total	\$ 7,415,000	\$ 2,882,068	\$ 10,297,068

# Redford Township District Library

**Notes to Financial Statements**  
**March 31, 2007**

## **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	\$ 400,000
Property tax float	900,000
Capital improvements and replacements	750,000
Library construction - 2nd floor	<u>1,500,000</u>
Total designated fund balance	3,550,000
Undesignated fund balance	<u>1,834,752</u>
Total fund balance	<u><u>\$ 5,384,752</u></u>

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 2006 to fund Library operations from January to December 2007, 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.

# Redford Township District Library

## Notes to Financial Statements March 31, 2007

### 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.

**Annual Pension Cost** - For the year ended March 31, 2007, the Library's annual pension cost of \$82,000 was equal to the required and actual contribution that was determined by the actuarial valuation at December 31, 2004, 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		
	2005	2006	2007
Annual pension cost (APC)	\$ 47,400	\$ 43,200	\$ 82,000
Percentage of APC contributed	100.0%	100.0%	100.0%
	Actuarial Valuation as of December 31		
	2003	2004	2005
Actuarial value of assets	\$ 1,083,022	\$ 1,196,476	\$ 1,276,050
Actuarial accrued liability (AAL)			
(entry age)	\$ 1,075,076	\$ 1,563,197	\$ 1,697,942
Unfunded (overfunded) AAL (UAAL)	\$ (7,946)	\$ 366,721	\$ 421,892
Funded ratio	100.7%	76.5%	75.2%
Covered payroll	\$ 360,780	\$ 258,136	\$ 366,862
UAAL as a percentage of covered payroll	- %	142.1%	115.0%

# Redford Township District Library

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## Notes to Financial Statements March 31, 2007

### **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.

**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 changes 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:

# Redford Township District Library

## Notes to Financial Statements March 31, 2007

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

**Total Fund Balance - Modified Accrual Basis** \$ 5,629,069

Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources and are not reported in the funds 9,374,746

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Compensated absences:

Current portion	\$ (20,192)	
Long-term portion	<u>(45,972)</u>	(66,164)

Long-term debt:

Current portion	(305,000)	
Long-term portion	<u>(7,110,000)</u>	<u>(7,415,000)</u>

**Total Net Assets - Full Accrual Basis** \$ 7,522,651

**Net Change in Fund Balances - Modified Accrual Basis** \$ 176,446

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	152,544
Capital outlay	15,523
Depreciation	(492,843)

Increase in the accrual for compensated absences are reported as an expenditure in the fund financial statements, but not in the statement of activities (16,334)

Repayment of bond principal is an expenditure in the fund financial statement, but not in the statement of activities 290,000

**Change in Net Assets - Full Accrual Basis** \$ 125,336

## **Required Supplemental Information**

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# Redford Township District Library

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance with Amended Budget</u>
<b>Revenue</b>				
Millage	\$ 1,192,250	\$ 1,192,250	\$ 1,215,452	\$ 23,202
Single business tax	75,000	80,000	94,998	14,998
Penal fines	64,000	64,000	46,984	(17,016)
State aid	38,000	38,000	57,823	19,823
Book fines	43,900	50,000	53,420	3,420
Interest	85,000	160,000	240,718	80,718
Other	<u>2,600</u>	<u>2,750</u>	<u>28,182</u>	<u>25,432</u>
Total revenue	1,500,750	1,587,000	1,737,577	150,577
<b>Expenditures</b>				
Personnel services	857,500	882,500	847,475	35,025
Contractual services and books	260,000	302,121	299,698	2,423
Supplies	17,000	20,000	17,021	2,979
Operating costs	348,250	395,500	385,160	10,340
Capital outlay	<u>18,000</u>	<u>32,000</u>	<u>27,065</u>	<u>4,935</u>
Total expenditures	<u>1,500,750</u>	<u>1,632,121</u>	<u>1,576,419</u>	<u>55,702</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	-	(45,121)	161,158	<u><b>\$ 206,279</b></u>
<b>Fund Balance - Beginning of year</b>	<u>5,223,594</u>	<u>5,223,594</u>	<u>5,223,594</u>	
<b>Fund Balance - End of year</b>	<u><b>\$ 5,223,594</b></u>	<u><b>\$ 5,178,473</b></u>	<u><b>\$ 5,384,752</b></u>	