

# **Redford Township District Library**

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## **Financial Report with Supplemental Information**

**March 31, 2008**

# 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, 2008, as listed in the table of contents. These basic financial statements are the responsibility of 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 Redford Township District Library as of March 31, 2008 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Redford Township District Library's management's discussion and analysis and budgetary comparison schedule - General Fund, as identified in the table of contents, are not required parts 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 11, 2008

# Redford Township District Library

## Management's Discussion and Analysis (Continued)

Our discussion and analysis of 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, 2008. 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, 2008 and 2007:

	March 31	
	2008	2007
<b>Assets</b>		
Current assets	\$ 6,383,970	\$ 6,326,755
Capital assets	9,140,239	9,374,746
Total assets	15,524,209	15,701,501
<b>Liabilities</b>		
Current liabilities	396,939	1,022,878
Long-term liabilities	6,835,433	7,155,972
Total liabilities	7,232,372	8,178,850
<b>Net Assets</b>		
Investment in capital assets - Net of related debt	2,030,239	1,959,746
Restricted	665,192	160,317
Unrestricted	5,596,406	5,402,588
Total net assets	<u>\$ 8,291,837</u>	<u>\$ 7,522,651</u>

The Library's combined net assets increased 10.2 percent from a year ago, increasing from approximately 7.5 million to 8.3 million.

# Redford Township District Library

## Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the fiscal years ended March 31, 2008 and 2007:

	Year Ended March 31	
	2008	2007
<b>Revenue</b>		
Tax levy	\$ 2,530,360	\$ 1,813,817
Single business tax	-	94,998
Penal fines	73,692	46,984
State aid	37,078	57,823
Book fines	53,814	53,420
Investment earnings	262,994	250,828
Miscellaneous	35,906	28,182
Total revenue	2,993,844	2,346,052
<b>Expenses</b>		
Personnel	1,014,543	863,809
Contractual services and books	110,710	147,154
Supplies	20,819	17,021
Operating costs	302,992	385,160
Debt service	294,625	303,187
Capital outlay	3,389	11,542
Depreciation	477,580	492,843
Total expenses	2,224,658	2,220,716
<b>Change in Net Assets</b>	<b>\$ 769,186</b>	<b>\$ 125,336</b>

The Library's total revenue increased by approximately \$648,000 in the current year. Property taxes increased by approximately \$716,000 due primarily to an increase in the taxes collected for debt service. The increase was due primarily to the Library shifting the debt tax levy from the winter tax bill to the summer tax bill in the current year. The tax increase was offset by the elimination of \$94,998 of state funding (single business tax) in the current year.

Overall, current year expenses remained consistent with the prior year and only increased by approximately \$4,000. Decreases in operating costs reflect a reduction in building expenses and the increase in personnel is due to minor changes in personnel and increases in medical and pension expenses.

# **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 reclassify items between expenditure categories, but did not adjust total budgeted expenditures. The Library did not have any negative budget variances and actual expenditures were \$22,990 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 \$7.11 million on March 31, 2008.

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

Next year will be the Library's fourth 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 reduction in revenue caused by the end of single business tax payments and an estimated reduction in state aid revenue will cause some tightening in operating expenses next year, however, the Library has a long-range budget plan in place to help with future planning.

### **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)	\$ 5,552,797	\$ -	\$ 623,581	\$ 6,176,378
Taxes receivable	161,562	-	45,410	206,972
Due from other funds/internal balances (Note 4)	3,799	84,000	-	87,799
Due from other governmental units	620	-	-	620
Capital assets (Note 5):				
Assets not being depreciated	-	-	-	-
Assets being depreciated	-	-	-	-
<b>Total assets</b>	<b>\$ 5,718,778</b>	<b>\$ 84,000</b>	<b>\$ 668,991</b>	<b>\$ 6,471,769</b>
<b>Liabilities</b>				
Accounts payable	\$ 36,352	\$ -	\$ -	\$ 36,352
Accrued and other liabilities	16,030	-	-	16,030
Deferred property taxes	161,562	-	45,410	206,972
Due to other funds (Note 4)	84,000	-	3,799	87,799
Due to other governmental units	388	-	-	388
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	-	-	-	-
<b>Total liabilities</b>	<b>298,332</b>	<b>-</b>	<b>49,209</b>	<b>347,541</b>
<b>Fund Balances - Unreserved (Note 7)</b>	<b>5,420,446</b>	<b>84,000</b>	<b>619,782</b>	<b>6,124,228</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,718,778</b>	<b>\$ 84,000</b>	<b>\$ 668,991</b>	<b>\$ 6,471,769</b>
<b>Net Assets</b>				
Invested in capital assets - Net related debt				
Restricted - Debt service				
Unrestricted				
<b>Total net assets</b>				

**Individual Funds Balance Sheets/Statement of Net Assets  
March 31, 2008**

Library as a Whole	Statement of Net Assets - Full Accrual Basis
GASB No. 34 Adjustments (Note 11)	
\$ -	\$ 6,176,378
-	206,972
(87,799)	-
-	620
325,000	325,000
<u>8,815,239</u>	<u>8,815,239</u>
9,052,440	15,524,209
-	36,352
-	16,030
(206,972)	-
(87,799)	-
-	388
24,169	24,169
45,433	45,433
320,000	320,000
<u>6,790,000</u>	<u>6,790,000</u>
6,884,831	7,232,372
<u>(6,124,228)</u>	<u>-</u>
2,030,239	2,030,239
665,192	665,192
<u>5,596,406</u>	<u>5,596,406</u>
<b><u>\$ 8,291,837</u></b>	<b><u>\$ 8,291,837</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	\$ 1,272,247	\$ -	\$ 1,051,141	\$ 2,323,388
Penal fines	73,692	-	-	73,692
State aid	37,078	-	-	37,078
Book fines	53,814	-	-	53,814
Investment earnings	255,045	-	7,949	262,994
Miscellaneous	35,906	-	-	35,906
<b>Total revenue</b>	<b>1,727,782</b>	<b>-</b>	<b>1,059,090</b>	<b>2,786,872</b>
<b>Expenditures</b>				
Personnel	1,011,105	-	-	1,011,105
Contractual services and books	293,274	-	-	293,274
Supplies	20,819	-	-	20,819
Operating costs	302,992	-	-	302,992
Debt service	-	-	599,625	599,625
Capital outlay	63,898	-	-	63,898
Depreciation	-	-	-	-
<b>Total expenditures</b>	<b>1,692,088</b>	<b>-</b>	<b>599,625</b>	<b>2,291,713</b>
<b>Excess of Revenue Over Expenditures</b>	<b>35,694</b>	<b>-</b>	<b>459,465</b>	<b>495,159</b>
<b>Fund Balance/Net Assets - Beginning of year</b>	<b>5,384,752</b>	<b>84,000</b>	<b>160,317</b>	<b>5,629,069</b>
<b>Fund Balance/Net Assets - End of year</b>	<b>\$ 5,420,446</b>	<b>\$ 84,000</b>	<b>\$ 619,782</b>	<b>\$ 6,124,228</b>

**Individual Funds Statements of Revenue, Expenditures, and Changes  
in Fund Balance/Statement of Activities  
Year Ended March 31, 2008**

GASB No. 34 Adjustments (Note 11)	Library as a Whole	Statement of Activities - Full Accrual Basis
\$ 206,972	\$	2,530,360
-		73,692
-		37,078
-		53,814
-		262,994
-		35,906
206,972		2,993,844
3,438		1,014,543
(182,564)		110,710
-		20,819
-		302,992
(305,000)		294,625
(60,509)		3,389
477,580		477,580
(67,055)		2,224,658
274,027		769,186
1,893,582		7,522,651
<b>\$ 2,167,609</b>		<b>\$ 8,291,837</b>

# Redford Township District Library

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**Notes to Financial Statements  
March 31, 2008**

## **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of 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.

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.

# Redford Township District Library

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**Notes to Financial Statements  
March 31, 2008**

## **Note 1 - Summary of Significant Accounting Policies (Continued)**

### **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, 2008

## Note 1 - 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 net of allowance for uncollectible amounts, if deemed necessary. Properties are assessed as of December 31 and become a lien on December 1 of the following year. Related property taxes are billed on July 1 and December 1 of the following year. These taxes are due on September 15 and February 14 with the final collection date of February 28 before they are added to the county tax rolls.

During the current year, the Library shifted its debt levy from December 1 to July 1. As discussed below, this change resulted in the Library recognizing two property tax levies in the current year (December 1, 2006 and July 1, 2007).

The July 1 2007 debt millage and the December 1, 2007 operating millage are intended to finance debt service and operations for the year ended March 31, 2008. Therefore, they are recognized as revenue during the current year. The December 1, 2006 debt levy was also intended to finance the debt service for the year ended March 31, 2008 and was also recognized in the current year.

The 2007 taxable valuation of the Library totaled approximately \$1.4 billion, on which taxes levied consisted of .9233 mills for the Library's operations and .4303 mills for debt service. This resulted in \$1.3 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, 2008**

## **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 their useful lives, as follows:

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, 2008 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, 2008**

## **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. 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 Library is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which 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:

### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. At year end, the Library had \$2,936,231 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.

# Redford Township District Library

## Notes to Financial Statements March 31, 2008

### Note 3 - Deposits and Investments (Continued)

#### Credit Risk

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

Investment	Fair Value	Rating	Rating Organization
Bank investments pool	\$ 3,105,222	AI	Moody's

### Note 4 - Interfund Receivables and Payables

The following are the interfund receivables at March 31, 2008:

Receivable Fund	Payable Fund	Amount
General Fund	Debt Service Fund	\$ 3,799
Special Revenue Fund	General Fund	84,000
	Total interfund receivables	<u>\$ 87,799</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.

# Redford Township District Library

## Notes to Financial Statements March 31, 2008

### Note 5 - Capital Assets

Capital asset activity of the Library was as follows:

	Balance			Balance
	April 1, 2007	Additions	Disposals	March 31, 2008
Capital assets not being depreciated -				
Land	\$ 325,000	\$ -	\$ -	\$ 325,000
Capital assets being depreciated:				
Building	7,877,026	-	-	7,877,026
Furniture and equipment	986,226	60,509	-	1,046,735
Library books and audiovisual materials	3,024,677	182,564	-	3,207,241
Total	11,887,929	243,073	-	12,131,002
Less accumulated depreciation:				
Building	(471,542)	(157,541)	-	(629,083)
Furniture and equipment	(234,720)	(91,003)	-	(325,723)
Library books and audiovisual materials	(2,131,921)	(229,036)	-	(2,360,957)
Total	(2,838,183)	(477,580)	-	(3,315,763)
Net capital assets being depreciated	9,049,746	(234,507)	-	8,815,239
Net capital assets	<u>\$ 9,374,746</u>	<u>\$ (234,507)</u>	<u>\$ -</u>	<u>\$ 9,140,239</u>

### 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, 2008:

	Principal Maturity Ranges	Balance April 1, 2007	Additions	Reductions	Balance March 31, 2008	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%	\$320,000 - \$665,000	\$ 7,415,000	\$ -	\$ (305,000)	\$ 7,110,000	\$ 320,000
Other long-term liabilities - Compensated absences	N/A	66,164	38,951	(35,513)	69,602	24,169
Total long-term debt and other long-term liabilities		<u>\$ 7,481,164</u>	<u>\$ 38,951</u>	<u>\$ (340,513)</u>	<u>\$ 7,179,602</u>	<u>\$ 344,169</u>

# Redford Township District Library

## Notes to Financial Statements March 31, 2008

### 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, 2008 (excluding compensated absences), including both principal and interest, are as follows:

<u>Years Ending March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	395,000	235,368	630,368
2014-2018	2,315,000	923,173	3,238,173
2019-2023	3,010,000	358,114	3,368,114
Total	<u>\$ 7,110,000</u>	<u>\$ 2,587,444</u>	<u>\$ 9,697,444</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	\$ 400,000
Property tax float	900,000
Capital improvements and replacements	785,000
Library construction - 2nd floor	<u>1,500,000</u>
Total designated fund balance	3,585,000
Undesignated fund balance	<u>1,835,446</u>
Total fund balance	<u>\$ 5,420,446</u>

# Redford Township District Library

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**Notes to Financial Statements  
March 31, 2008**

## **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 2007 to fund Library operations from January to December 2008, 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 Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer pension plan. MERS provides retirement and disability benefits; these benefits were established in Library policies and may be amended at any time. MERS 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 MERS 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, 2008

### Note 9 - Pension Plan (Continued)

**Annual Pension Cost** - For the year ended March 31, 2008, the Library's annual pension cost of \$102,000 was equal to the required and actual contribution that was determined by the actuarial valuation at December 31, 2005, 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 8.4 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		
	2006	2007	2008
Annual pension cost (APC)	\$ 43,200	\$ 82,000	\$ 102,000
Percentage of APC contributed	100.0%	100.0%	100.0%
	Actuarial Valuation as of December 31		
	2004	2005	2006
Actuarial value of assets	\$ 1,196,476	\$ 1,276,050	\$ 1,411,904
Actuarial accrued liability (AAL) (entry age)	\$ 1,563,197	\$ 1,697,942	\$ 1,574,094
Unfunded AAL (UAAL)	\$ 366,721	\$ 421,892	\$ 162,190
Funded ratio	76.5%	75.2%	89.7%
Covered payroll	\$ 258,136	\$ 366,862	\$ 455,168
UAAL as a percentage of covered payroll	142.1%	115.0%	35.6%

### Note 10 - Postemployment Benefits

The Library provides healthcare benefits to all full-time employees upon retirement, in accordance with current Library policy; however, the Board reserves the right to change or withdraw that benefit at anytime. Currently, the Library has no retirees who qualify for postemployment benefits. Expenditures for postemployment healthcare 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, 2008

### 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 healthcare coverage over the working life of the employee, rather than at the time the healthcare 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:

<b>Total Fund Balance - Modified Accrual Basis</b>		<b>\$ 6,124,228</b>
Amounts reported in the statement of net assets are different because:		
Property tax revenue not collected within 60 days of year end are recorded as deferred revenue in the funds		206,972
Capital assets are not financial resources and are not reported in the funds		9,140,239
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Compensated absences:		
Current portion	\$ (24,169)	
Long-term portion	<u>(45,433)</u>	(69,602)
Long-term debt:		
Current portion	(320,000)	
Long-term portion	<u>(6,790,000)</u>	<u>(7,110,000)</u>
<b>Total Net Assets - Full Accrual Basis</b>		<b><u>\$ 8,291,837</u></b>

# Redford Township District Library

## Notes to Financial Statements March 31, 2008

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

<b>Net Change in Fund Balances - Modified Accrual Basis</b>	\$ 495,159
Amounts reported in the statement of activities are different because:	
Revenue reported in the statement of activities that does not provide current financial resources which is not reported as revenue in the funds	206,972
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	182,564
Capital outlay	60,509
Depreciation	(477,580)
Increase in the accrual for compensated absences are reported as an expenditure in the fund financial statements, but not in the statement of activities	(3,438)
Repayment of bond principal is an expenditure in the fund financial statement, but not in the statement of activities	<u>305,000</u>
<b>Change in Net Assets - Full Accrual Basis</b>	<u><u>\$ 769,186</u></u>

## **Required Supplemental Information**

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# Redford Township District Library

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Favorable (Unfavorable) Variance with Amended Budget
<b>Revenue</b>				
Millage	\$ 1,251,721	\$ 1,251,721	\$ 1,272,247	\$ 20,526
Penal fines	47,000	47,000	73,692	26,692
State aid	38,000	38,000	37,078	(922)
Book fines	60,000	60,000	53,814	(6,186)
Interest	200,000	200,000	255,045	55,045
Other	<u>20,400</u>	<u>20,400</u>	<u>35,906</u>	<u>15,506</u>
Total revenue	1,617,121	1,617,121	1,727,782	110,661
<b>Expenditures</b>				
Personnel services	954,833	1,017,048	1,011,105	5,943
Contractual services and books	331,200	293,485	293,274	211
Supplies	20,000	21,000	20,819	181
Operating costs	342,045	314,045	302,992	11,053
Capital outlay	<u>67,000</u>	<u>69,500</u>	<u>63,898</u>	<u>5,602</u>
Total expenditures	<u>1,715,078</u>	<u>1,715,078</u>	<u>1,692,088</u>	<u>22,990</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	(97,957)	(97,957)	35,694	<b><u>\$ 133,651</u></b>
<b>Fund Balance - Beginning of year</b>	<u>5,384,752</u>	<u>5,384,752</u>	<u>5,384,752</u>	
<b>Fund Balance - End of year</b>	<b><u>\$ 5,286,795</u></b>	<b><u>\$ 5,286,795</u></b>	<b><u>\$ 5,420,446</u></b>	



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June 11, 2008

To the Library Board  
Redford Township District Library  
25320 West Six Mile  
Redford, MI 48240-2105

Dear Board Members:

In planning and performing our audit of the financial statements of Redford Township District Library as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Library's internal control over financial reporting (internal control) as a basis for designing our auditing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

Management oversight:

- The Library board does not review and approve expenditures prior to the payment.
- The Library board did not review budget-to-actual statements for Library revenues and expense during the year.
- The Library did not prepare a reconciliation of property tax revenues in the current year.

To the Library Board  
Redford Township District Library

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June 11, 2008

If you have any questions regarding this letter or any other matters you wish to discuss, please contact us.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink that reads "Leslie J. Pulver". The signature is written in a cursive style with a large initial 'L' and 'P'.

Leslie J. Pulver