

Redford Township District Library

Financial Report with Supplemental Information

March 31, 2009

Redford Township District Library

Contents

Report Letter	I
Management's Discussion and Analysis	2-4
Basic Financial Statements	
Individual Funds Balance Sheet/Statement of Net Assets	5-6
Individual Funds Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities	7-8
Notes to Financial Statements	9-21
Required Supplemental Information	22
Budgetary Comparison Schedule - General Fund	23

Independent Auditor's Report

To the Board of Directors
Redford Township District Library

We have audited the accompanying financial statements of the governmental activities and each major fund of Redford Township District Library as of and for the year ended March 31, 2009, which collectively comprise the Library's basic financial statements as listed in the table of contents. These 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 financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Redford Township District Library as of March 31, 2009 and the respective 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 30, 2009

Redford Township District Library

Management's Discussion and Analysis

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, 2009. 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 net assets as of March 31, 2009 and 2008:

	March 31	
	2009	2008
Assets		
Current assets	\$ 6,186,775	\$ 6,383,970
Capital assets	8,945,199	9,140,239
Total assets	15,131,974	15,524,209
Liabilities		
Current liabilities	423,841	396,939
Long-term liabilities	6,505,314	6,835,433
Total liabilities	6,929,155	7,232,372
Net Assets		
Investment in capital assets - Net of related debt	2,155,199	2,030,239
Restricted	685,380	665,192
Unrestricted	5,362,240	5,596,406
Total net assets	<u>\$ 8,202,819</u>	<u>\$ 8,291,837</u>

The Library's combined net assets decreased 1.1 percent from a year ago, decreasing from approximately \$8.3 million to \$8.2 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, 2009 and 2008:

	Year Ended March 31	
	2009	2008
Revenue		
Tax levy	\$ 1,887,206	\$ 2,530,360
Penal fines	76,003	73,692
State aid	33,764	37,078
Book fines	60,821	53,814
Investment earnings	122,417	262,994
Miscellaneous	43,163	35,906
Total revenue	2,223,374	2,993,844
Expenses		
Personnel	1,050,086	1,014,543
Contractual services and books	159,422	110,710
Supplies	-	20,819
Operating costs	331,394	302,992
Debt service	284,850	294,625
Capital outlay	-	3,389
Depreciation	486,640	477,580
Total expenses	2,312,392	2,224,658
Change in Net Assets	\$ (89,018)	\$ 769,186

The Library's total revenue decreased by approximately \$770,500 in the current year. Property taxes decreased by approximately \$643,000 due primarily to a decrease in the taxes collected for debt service. The decrease was due primarily to the Library shifting the debt tax levy from the winter tax bill to the summer tax bill in the prior year which resulted in the collection of two tax levies in one year. In addition, investment earnings decreased by approximately \$140,000 primarily due to the overall market decline in interest rates.

Overall, current year expenses remained consistent with the prior year and only increased by approximately \$87,700 primarily due to inflationary increases in expenses.

Redford Township District Library

Management's Discussion and Analysis (Continued)

Budgetary Highlights

Over the course of the year, the Library amended the budget to account for anticipated decreases in investment income and to increase capital outlay expenses. The Library did not have any negative budget variances and actual expenditures were \$85,657 below budget.

Capital Asset and Debt Administration

During the year, the Library purchased computer equipment, library materials (books, CDs, and audiovisual materials) and made landscaping improvements. 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 \$6.79 million on March 31, 2009.

Economic Factors and Next Year's Budgets and Rates

The Library continues to monitor staffing levels and library services to ensure that it is meeting public needs. A reduction in revenue caused by the end of single business tax payments in 2008 and an estimated reduction in property taxes and 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
Assets				
Cash and investments (Note 3)	\$ 5,322,958	\$ -	\$ 640,341	\$ 5,963,299
Taxes receivable	144,290	-	45,039	189,329
Due from other funds/internal balances (Note 4)	-	84,000	-	84,000
Due from other governmental units	34,147	-	-	34,147
Capital assets (Note 5):				
Assets not being depreciated	-	-	-	-
Assets being depreciated	-	-	-	-
Total assets	\$ 5,501,395	\$ 84,000	\$ 685,380	\$ 6,270,775
Liabilities				
Accounts payable	\$ 37,895	\$ -	\$ -	\$ 37,895
Accrued and other liabilities	22,692	-	-	22,692
Deferred property taxes	144,291	-	45,057	189,348
Due to other funds (Note 4)	84,000	-	-	84,000
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	288,878	-	45,057	333,935
Fund Balances - Unreserved (Note 7)	5,212,517	84,000	640,323	5,936,840
Total liabilities and fund balances	\$ 5,501,395	\$ 84,000	\$ 685,380	\$ 6,270,775
Net Assets				
Invested in capital assets - Net of related debt				
Restricted - Debt service				
Unrestricted				
Total net assets				

**Individual Funds Balance Sheet/Statement of Net Assets
March 31, 2009**

Library as a Whole	Statement of Net Assets - Full Accrual Basis
\$ -	\$ 5,963,299
-	189,329
(84,000)	-
-	34,147
325,000	325,000
<u>8,620,199</u>	<u>8,620,199</u>
8,861,199	15,131,974
-	37,895
-	22,692
(189,348)	-
(84,000)	-
23,254	23,254
55,314	55,314
340,000	340,000
<u>6,450,000</u>	<u>6,450,000</u>
6,595,220	6,929,155
<u>(5,936,840)</u>	<u>-</u>
2,155,199	2,155,199
685,380	685,380
<u>5,362,240</u>	<u>5,362,240</u>
<u>\$ 8,202,819</u>	<u>\$ 8,202,819</u>

Redford Township District Library

	Individual Library Funds			
	Special Revenue Fund - Accrued			Total Modified Accrual Basis
	General Fund	Employee Benefits Fund	Debt Service Fund	
Revenue				
Tax levy	\$ 1,282,685	\$ -	\$ 622,145	\$ 1,904,830
Penal fines	76,003	-	-	76,003
State aid	33,764	-	-	33,764
Book fines	60,821	-	-	60,821
Investment earnings	119,171	-	3,246	122,417
Miscellaneous	43,163	-	-	43,163
Total revenue	1,615,607	-	625,391	2,240,998
Expenditures				
Personnel	1,041,120	-	-	1,041,120
Contractual services and books	352,892	-	-	352,892
Operating costs	331,394	-	-	331,394
Debt service	-	-	604,850	604,850
Capital outlay	98,130	-	-	98,130
Depreciation	-	-	-	-
Total expenditures	1,823,536	-	604,850	2,428,386
Excess of Revenue Over (Under) Expenditures	(207,929)	-	20,541	(187,388)
Fund Balance/Net Assets - Beginning of year	5,420,446	84,000	619,782	6,124,228
Fund Balance/Net Assets - End of year	\$ 5,212,517	\$ 84,000	\$ 640,323	\$ 5,936,840

**Individual Funds Statement of Revenue, Expenditures, and Changes
in Fund Balance/Statement of Activities
Year Ended March 31, 2009**

GASB No. 34 Adjustments (Note 11)	Library as a Whole	Statement of Activities - Full Accrual Basis
\$ (17,624)	\$	1,887,206
-		76,003
-		33,764
-		60,821
-		122,417
-		43,163
(17,624)		2,223,374
8,966		1,050,086
(193,470)		159,422
-		331,394
(320,000)		284,850
(98,130)		-
486,640		486,640
(115,994)		2,312,392
98,370		(89,018)
2,167,609		8,291,837
\$ 2,265,979	\$	8,202,819

Redford Township District Library

**Notes to Financial Statements
March 31, 2009**

Note I - 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

**Notes to Financial Statements
March 31, 2009**

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

**Notes to Financial Statements
March 31, 2009**

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 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.

The July 1, 2008 debt millage and the December 1, 2008 operating millage are intended to finance debt service and operations for the year ended March 31, 2009. Therefore, they are recognized as revenue during the current year.

The 2009 taxable valuation of the Library totaled approximately \$1.4 billion, on which taxes levied consisted of .9233 mills for the Library's operations and .43 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

Notes to Financial Statements March 31, 2009

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, 2009 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

Notes to Financial Statements March 31, 2009

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 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 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 \$70,353 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, 2009

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 pools	\$ 865,521	A1	Moody's
Bank investments pools	1,971,298	Not Rated	N/A
Bank investments pools	640,341	AAA	S&P

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:

Investment	Fair Value	Maturity
U.S. government securities	\$ 502,315	2.95 years

Note 4 - Interfund Receivables and Payables

The following are the interfund receivables at March 31, 2009:

Receivable Fund	Payable Fund	Amount
Special Revenue Fund	General Fund	\$ <u>84,000</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, 2009

Note 5 - Capital Assets

Capital asset activity of the Library was as follows:

	Balance April 1, 2008	Additions	Disposals	Balance March 31, 2009
Capital assets not being depreciated -				
Land	\$ 325,000	\$ -	\$ -	\$ 325,000
Capital assets being depreciated:				
Building	7,877,026	-	-	7,877,026
Furniture and equipment	1,046,735	98,225	-	1,144,960
Library books and audiovisual materials	3,207,241	193,375	-	3,400,616
Total	12,131,002	291,600	-	12,422,602
Less accumulated depreciation:				
Building	(629,083)	(157,541)	-	(786,624)
Furniture and equipment	(325,723)	(102,243)	-	(427,966)
Library books and audiovisual materials	(2,360,957)	(226,856)	-	(2,587,813)
Total	(3,315,763)	(486,640)	-	(3,802,403)
Net capital assets being depreciated	8,815,239	(195,040)	-	8,620,199
Net capital assets	<u>\$ 9,140,239</u>	<u>\$ (195,040)</u>	<u>\$ -</u>	<u>\$ 8,945,199</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, 2009:

	Principal Maturity Ranges	Balance April 1, 2008	Additions	Reductions	Balance March 31, 2009	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%	\$340,000 - \$665,000	\$ 7,110,000	\$ -	\$ (320,000)	\$ 6,790,000	\$ 340,000
Other long-term liabilities - Compensated absences	N/A	69,602	39,234	(30,268)	78,568	23,254
Total long-term debt and other long-term liabilities		<u>\$ 7,179,602</u>	<u>\$ 39,234</u>	<u>\$ (350,268)</u>	<u>\$ 6,868,568</u>	<u>\$ 363,254</u>

Redford Township District Library

Notes to Financial Statements March 31, 2009

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, 2009 (excluding compensated absences), including principal and interest, are as follows:

<u>Years Ending March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	415,000	220,279	635,279
2015-2019	2,440,000	826,716	3,266,716
2020-2023	<u>2,470,000</u>	<u>234,292</u>	<u>2,704,292</u>
Total	<u>\$ 6,790,000</u>	<u>\$ 2,302,594</u>	<u>\$ 9,092,594</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	\$ 450,000
Property tax float	960,000
Capital improvements and replacements	785,000
Library construction - Second floor	<u>2,000,000</u>
Total designated fund balance	4,195,000
Undesignated fund balance	<u>1,017,517</u>
Total fund balance	<u>\$ 5,212,517</u>

Redford Township District Library

**Notes to Financial Statements
March 31, 2009**

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 2008 to fund Library operations from January to December 2009, 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 - Second 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 process 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 employees and requires no employee contributions.

Redford Township District Library

Notes to Financial Statements March 31, 2009

Note 9 - Pension Plan (Continued)

Annual Pension Cost - For the year ended March 31, 2009, the Library's annual pension cost of \$78,000 was equal to the required and actual contribution that was determined by the actuarial valuation at December 31, 2006, 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		
	2007	2008	2009
Annual pension cost (APC)	\$ 82,000	\$ 102,000	\$ 78,000
Percentage of APC contributed	100.0%	100.0%	100.0%
	Actuarial Valuation as of December 31		
	2005	2006	2007
Actuarial value of assets	\$ 1,276,050	\$ 1,411,904	\$ 1,539,905
Actuarial accrued liability (AAL)			
(entry age)	\$ 1,697,942	\$ 1,574,094	\$ 1,705,172
Unfunded AAL (UAAL)	\$ 421,892	\$ 162,190	\$ 165,267
Funded ratio	75.2%	89.7%	90.3%
Covered payroll	\$ 366,862	\$ 455,168	\$ 555,443
UAAL as a percentage of covered payroll	115.0%	35.6%	29.8%

Actuarial Methods and Assumptions - In the December 31, 2007 actuarial valuation (the most recent actuarial valuation), the entry age actuarial cost method was used. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent to 8.4 percent per year, and (c) no cost of living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 28 years.

Redford Township District Library

**Notes to Financial Statements
March 31, 2009**

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 any time. 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.

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.

Redford Township District Library

Notes to Financial Statements
March 31, 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 sheet and statement 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:

Total Fund Balance - Modified Accrual Basis		\$ 5,936,840
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		189,348
Capital assets are not financial resources and are not reported in the funds		8,945,199
Compensated absences:		
Current portion	\$ (23,254)	
Long-term portion	<u>(55,314)</u>	(78,568)
Long-term debt:		
Current portion	(340,000)	
Long-term portion	<u>(6,450,000)</u>	<u>(6,790,000)</u>
Total Net Assets - Full Accrual Basis		<u>\$ 8,202,819</u>

Redford Township District Library

Notes to Financial Statements March 31, 2009

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

Net Change in Fund Balances - Modified Accrual Basis	\$ (187,388)
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	(17,624)
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	193,470
Capital outlay	98,130
Depreciation	(486,640)
Increase in the accrual for compensated absences is reported as an expenditure in the fund financial statements, but not in the statement of activities	(8,966)
Repayment of bond principal is an expenditure in the fund financial statement, but not in the statement of activities	<u>320,000</u>
Change in Net Assets - Full Accrual Basis	<u><u>\$ (89,018)</u></u>

Required Supplemental Information

Redford Township District Library

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2009

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Favorable (Unfavorable) Variance with Amended Budget
Revenue				
Millage	\$ 1,250,000	\$ 1,250,000	\$ 1,282,685	\$ 32,685
Penal fines	47,000	76,000	76,003	3
State aid	32,000	32,000	33,764	1,764
Book fines	60,000	55,000	60,821	5,821
Interest	201,700	100,750	119,171	18,421
Other	<u>24,400</u>	<u>38,529</u>	<u>43,163</u>	<u>4,634</u>
Total revenue	1,615,100	1,552,279	1,615,607	63,328
Expenditures				
Personnel services	1,047,192	1,047,192	1,041,120	6,072
Contractual services and books	368,000	358,000	352,892	5,108
Operating costs	329,350	337,850	331,394	6,456
Capital outlay	<u>64,000</u>	<u>102,823</u>	<u>98,130</u>	<u>4,693</u>
Total expenditures	<u>1,808,542</u>	<u>1,845,865</u>	<u>1,823,536</u>	<u>22,329</u>
Excess of Expenditures Over Revenue	(193,442)	(293,586)	(207,929)	<u>\$ 85,657</u>
Fund Balance - Beginning of year	<u>5,420,446</u>	<u>5,420,446</u>	<u>5,420,446</u>	
Fund Balance - End of year	<u>\$ 5,227,004</u>	<u>\$ 5,126,860</u>	<u>\$ 5,212,517</u>	

Redford Township District Library

Report to the Board of Directors

March 31, 2009

June 30, 2009

To the Board of Directors
Redford Township District Library

We have recently completed our audit of the basic financial statements of Redford Township District Library (the "Library") for the year ended March 31, 2009. In addition to our audit report, we are providing the following report on internal control and letter of required audit communication:

	<u>Page</u>
Report on Internal Control	2-3
Results of the Audit	4-7

We are grateful for the opportunity to be of service to Redford Township District Library. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Very truly yours,

Plante & Moran, PLLC



Leslie J. Pulver



William E. Brickey

Report on Internal Control

June 30, 2009

To the Board of Directors
Redford Township District Library

Dear Board Members:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Library's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards is to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of Redford Township District Library as of and for the year ended March 31, 2009, 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 a certain deficiency in internal control that we consider to be a material weakness.

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.

To the Board of Directors
Redford Township District Library

June 30, 2009

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a material weakness:

- Journal entries were required during the audit to ensure the financial statement presentation was in conformity with generally accepted accounting principles, including full accrual presentation of the governmental funds. This qualifies as a material weakness in internal controls. The entries included adjustments required for the full accrual presentation of the government-wide statements and an adjustment to accrue the March 2009 pension expense.

This communication is intended solely for the information and use of management, the board, and others within the Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC



Leslie J. Pulver



William E. Brickey

Results of the Audit

June 30, 2009

To the Board of Directors
Redford Township District Library

We have audited the financial statements of Redford Township District Library for the year ended March 31, 2009 and have issued our report thereon dated June 30, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 1, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Library. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

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

We are also obligated to communicate certain matters related to our audit to those responsible for the governance of Redford Township District Library, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 5, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Redford Township District Library are described in Note I to the financial statements.

We noted no transactions entered into by the Library during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the allowance for uncollectible property taxes.

Management's estimate of the allowance for uncollectible property taxes is based on collection history. We evaluated the key factors and assumptions used to develop the allowance for uncollectible property taxes in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was Note 9 - Pension Plan.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements identified during the audit. The following material misstatements detected as a result of the audit procedures were corrected by management:

In order to comply with GASB 34, long-term debt and capital assets, including depreciation, were recorded in the government-wide statements. In addition, the March 2009 pension payment was recorded in accounts payable and pension expense.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated June 30, 2009.

Management's Consultations with Other Independent Accountants

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

Other Information in Documents Containing Audited Financial Statements

Our responsibility relates to the Library's financial statements and other information as identified in the auditor's report. We have no responsibility for any other information that may be included in documents containing those audited statements. We do not have an obligation to perform any procedures to corroborate other information contained in these documents. We read the management's discussion and analysis, and nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information or manner of its presentation appearing in the financial statements.

Upcoming Reporting Change

The Governmental Accounting Standards Board has 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. The board of directors will need to obtain an actuarial valuation to determine the amount of this potential liability. The board will also need to determine, based on the results of the actuarial report, if it plans to fund this liability or follow the pay-as-you-go method.

To the Board of Directors
Redford Township District Library

June 30, 2009

This information is intended solely for the use of the board and management of Redford Township District Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

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

Leslie J. Pulver

A handwritten signature in black ink that reads "William E. Brickey". The signature is written in a cursive style with a large initial 'W'.

William E. Brickey