

# **Redford Township District Library**

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## **Financial Report with Supplemental Information**

**March 31, 2010**

# 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 financial statements of the governmental activities and each major fund of Redford Township District Library (the "Library") as of and for the year ended March 31, 2010, 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, 2010 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.

As discussed in Note 1, the Library implemented GASB Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year. As a result, the government-wide statements now report the cost of retiree health care as those benefits are earned by the employee.

*Plante & Moran, PLLC*

July 23, 2010

# 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, 2010. 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, 2010 and 2009:

	March 31	
	2010	2009
<b>Assets</b>		
Current assets	\$ 5,880,043	\$ 6,186,775
Capital assets	8,678,556	8,945,199
Total assets	14,558,599	15,131,974
<b>Liabilities</b>		
Current liabilities	478,132	423,841
Long-term liabilities	6,653,088	6,505,314
Total liabilities	7,131,220	6,929,155
<b>Net Assets</b>		
Investment in capital assets - Net of related debt	2,228,556	2,155,199
Restricted	704,490	685,380
Unrestricted	4,494,333	5,362,240
Total net assets	<u>\$ 7,427,379</u>	<u>\$ 8,202,819</u>

The Library's combined net assets decreased 9.5 percent from a year ago, decreasing from approximately \$8.2 million to \$7.4 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, 2010 and 2009:

	Year Ended March 31	
	2010	2009
<b>Revenue</b>		
Tax levy	\$ 1,796,691	\$ 1,887,206
Penal fines	60,568	76,003
State aid	15,609	33,764
Book fines	62,927	60,821
Investment earnings	68,917	122,417
Miscellaneous	64,851	43,163
Total revenue	2,069,563	2,223,374
<b>Expenses</b>		
Personnel	1,584,941	1,050,086
Contractual services and books	175,820	159,422
Operating costs	318,697	331,394
Debt service	274,125	284,850
Capital outlay	6,905	-
Depreciation	484,515	486,640
Total expenses	2,845,003	2,312,392
<b>Change in Net Assets</b>	<b>\$ (775,440)</b>	<b>\$ (89,018)</b>

The Library's total revenue decreased by approximately \$154,000 in the current year. Property taxes decreased by approximately \$90,500 due primarily to a decrease in property tax value in the Township. In addition, investment earnings decreased by \$53,500 primarily due to the continued decline in market interest rates.

Overall, current year expenses remained consistent with inflationary increases over the prior year with the exception that the OPEB expense of approximately \$503,000 was recorded in the current year due to the accounting change that is discussed in Note 1 of the financial statements.

### **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 \$72,066 below budget.

# **Redford Township District Library**

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

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

During the year, the Library purchased computer equipment and library materials (books, CDs, and audiovisual 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 \$6.45 million on March 31, 2010.

### **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. An expected decline 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
<b>Assets</b>				
Cash and investments (Note 3)	\$ 5,070,099	\$ -	\$ 618,273	\$ 5,688,372
Taxes receivable	141,444	-	50,227	191,671
Due from other funds/internal balances (Note 4)	-	84,000	37,368	121,368
Capital assets (Note 5):				
Assets not being depreciated	-	-	-	-
Assets being depreciated	-	-	-	-
Total assets	<b>\$ 5,211,543</b>	<b>\$ 84,000</b>	<b>\$ 705,868</b>	<b>\$ 6,001,411</b>
<b>Liabilities</b>				
Accounts payable	\$ 34,044	\$ -	\$ -	\$ 34,044
Accrued and other liabilities	20,567	-	-	20,567
Deferred property taxes	141,444	-	50,525	191,969
Due to other funds (Note 4)	121,368	-	-	121,368
Due to other governmental units	44,099	-	1,378	45,477
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	-	-	-	-
Net other postemployment benefits (Note 10)	-	-	-	-
Total liabilities	361,522	-	51,903	413,425
<b>Fund Balances - Unreserved (Note 7)</b>	<b>4,850,021</b>	<b>84,000</b>	<b>653,965</b>	<b>5,587,986</b>
Total liabilities and fund balances	<b>\$ 5,211,543</b>	<b>\$ 84,000</b>	<b>\$ 705,868</b>	<b>\$ 6,001,411</b>
<b>Net Assets</b>				
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, 2010**

Library as a Whole	Statement of Net Assets - Full Accrual Basis
\$ -	\$ 5,688,372
-	191,671
(121,368)	-
325,000	325,000
<u>8,353,556</u>	<u>8,353,556</u>
8,557,188	14,558,599
-	34,044
-	20,567
(191,969)	-
(121,368)	-
-	45,477
23,044	23,044
54,796	54,796
355,000	355,000
6,095,000	6,095,000
<u>503,292</u>	<u>503,292</u>
6,717,795	7,131,220
<u>(5,587,986)</u>	<u>-</u>
2,228,556	2,228,556
704,490	704,490
<u>4,494,333</u>	<u>4,494,333</u>
<b><u>\$ 7,427,379</u></b>	<b><u>\$ 7,427,379</u></b>

# Redford Township District Library

	Individual Library Funds			
	Special Revenue			Total Modified
	Fund - Accrued			
General Fund	Employee Benefits Fund	Debt Service Fund	Accrual Basis	
<b>Revenue</b>				
Tax levy	\$ 1,166,434	\$ -	\$ 627,636	\$ 1,794,070
Penal fines	60,568	-	-	60,568
State aid	15,609	-	-	15,609
Book fines	62,927	-	-	62,927
Investment earnings	68,786	-	131	68,917
Miscellaneous	64,851	-	-	64,851
<b>Total revenue</b>	<b>1,439,175</b>	<b>-</b>	<b>627,767</b>	<b>2,066,942</b>
<b>Expenditures</b>				
Personnel	1,082,377	-	-	1,082,377
Contractual services and books	360,472	-	-	360,472
Operating costs	318,697	-	-	318,697
Debt service	-	-	614,125	614,125
Capital outlay	40,125	-	-	40,125
Depreciation	-	-	-	-
<b>Total expenditures</b>	<b>1,801,671</b>	<b>-</b>	<b>614,125</b>	<b>2,415,796</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(362,496)</b>	<b>-</b>	<b>13,642</b>	<b>(348,854)</b>
<b>Fund Balance/Net Assets - Beginning of year</b>	<b>5,212,517</b>	<b>84,000</b>	<b>640,323</b>	<b>5,936,840</b>
<b>Fund Balance/Net Assets - End of year</b>	<b>\$ 4,850,021</b>	<b>\$ 84,000</b>	<b>\$ 653,965</b>	<b>\$ 5,587,986</b>

**Individual Funds Statement of Revenue, Expenditures, and Changes  
in Fund Balance/Statement of Activities  
Year Ended March 31, 2010**

	Library as a Whole		Statement of Activities - Full Accrual Basis
GASB No. 34 Adjustments (Note 11)			
\$ 2,621		\$ 1,796,691	
-		60,568	
-		15,609	
-		62,927	
-		68,917	
-		64,851	
2,621		2,069,563	
502,564		1,584,941	
(184,652)		175,820	
-		318,697	
(340,000)		274,125	
(33,220)		6,905	
484,515		484,515	
429,207		2,845,003	
(426,586)		(775,440)	
2,265,979		8,202,819	
<b>\$ 1,839,393</b>		<b>\$ 7,427,379</b>	

# Redford Township District Library

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**Notes to Financial Statements  
March 31, 2010**

## **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

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Notes to Financial Statements  
March 31, 2010

## 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, 2010

## 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.

The July 1, 2009 debt millage and the December 1, 2009 operating millage are intended to finance debt service and operations for the year ended March 31, 2010. Therefore, they are recognized as revenue during the current year.

The 2010 taxable valuation of the Library totaled approximately \$1.35 billion, on which taxes levied consisted of .9233 mills for the Library's operations and .4704 mills for debt service. This resulted in \$1.2 million for operations and \$628,000 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.

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

# Redford Township District Library

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**Notes to Financial Statements  
March 31, 2010**

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

**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.

**Pension and Other Postemployment Benefit Costs** - The Library offers both pension and retiree healthcare benefits to board-approved retirees. The Library receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide financial statements, the Library reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

**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.

**New Accounting Standard** - In the current year, the Library implemented the Governmental Accounting Standards Board's Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement causes the government-wide statements to recognize the cost of providing retiree healthcare expenses over the working life of the employee, rather than at the time the healthcare expenses are paid. This statement was implemented prospectively. Implementing the statement caused an additional expense to be reported in the governmental activities of \$503,292 in excess of what would have been reported in prior years.

# Redford Township District Library

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## Notes to Financial Statements March 31, 2010

### **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, 2010 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

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

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. The budget statement (statement of revenue, expenditures, and changes in fund balance) 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.

# Redford Township District Library

**Notes to Financial Statements  
March 31, 2010**

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

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, all of the Library's bank deposits (certificates of deposit, checking, money market, and savings accounts) were fully insured and collateralized. 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.

### **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	\$ 540,310	AAA	S&P
Bank investments pools	618,273	AAA	S&P
Bank investments pools	1,507,338	AAA	S&P

# Redford Township District Library

## Notes to Financial Statements March 31, 2010

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

#### 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	\$ 1,049,919	Less than 45 days
Bank investments pools	527,340	5.39 years
Bank investments pools	239,566	5.61 years
Bank investments pools	238,867	6.2 years
Bank investments pools	261,890	8.97 years
Bank investments pools	239,675	3.1 years

### Note 4 - Interfund Receivables and Payables

The following are the interfund receivables at March 31, 2010:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue Fund	General Fund	\$ 84,000
Debt Service Fund	General Fund	<u>37,368</u>
	Total interfund receivables	<u>\$ 121,368</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, 2010

### Note 5 - Capital Assets

Capital asset activity of the Library was as follows:

	Balance April 1, 2009	Additions	Disposals	Balance March 31, 2010
Capital assets not being depreciated -				
Land	\$ 325,000	\$ -	\$ -	\$ 325,000
Capital assets being depreciated:				
Building	7,877,026	-	-	7,877,026
Furniture and equipment	1,144,960	33,220	-	1,178,180
Library books and audiovisual materials	<u>3,400,616</u>	<u>184,652</u>	-	<u>3,585,268</u>
Total	12,422,602	217,872	-	12,640,474
Less accumulated depreciation:				
Building	(786,624)	(157,541)	-	(944,165)
Furniture and equipment	(427,966)	(102,887)	-	(530,853)
Library books and audiovisual materials	<u>(2,587,813)</u>	<u>(224,087)</u>	-	<u>(2,811,900)</u>
Total	<u>(3,802,403)</u>	<u>(484,515)</u>	-	<u>(4,286,918)</u>
Net capital assets being depreciated	<u>8,620,199</u>	<u>(266,643)</u>	-	<u>8,353,556</u>
Net capital assets	<u>\$ 8,945,199</u>	<u>\$ (266,643)</u>	<u>\$ -</u>	<u>\$ 8,678,556</u>

# Redford Township District Library

## Notes to Financial Statements March 31, 2010

### 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, 2010:

	Principal Maturity Ranges	Balance April 1, 2009	Additions	Reductions	Balance March 31, 2010	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%	\$355,000 - \$665,000	\$ 6,790,000	\$ -	\$ (340,000)	\$ 6,450,000	\$ 355,000
Other long-term liabilities - Compensated absences	N/A	78,568	38,456	(39,184)	77,840	23,044
Total bonds payable and other long-term liabilities		<u>\$ 6,868,568</u>	<u>\$ 38,456</u>	<u>\$ (379,184)</u>	<u>\$ 6,527,840</u>	<u>\$ 378,044</u>

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

### Debt Service Requirements

The annual requirements to service all debt outstanding as of March 31, 2010 (excluding compensated absences), including principal and interest, are as follows:

Years Ending March 31	Principal	Interest	Total
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	440,000	203,938	643,938
2016-2020	2,570,000	722,470	3,292,470
2021-2023	1,900,000	134,620	2,034,620
Total	<u>\$ 6,450,000</u>	<u>\$ 2,028,489</u>	<u>\$ 8,478,489</u>

# Redford Township District Library

## Notes to Financial Statements March 31, 2010

### 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	875,000
Capital improvements and replacements	860,000
Library construction - Second floor	<u>2,000,000</u>
Total designated fund balance	4,185,000
Undesignated fund balance	<u>665,021</u>
Total fund balance	<u>\$ 4,850,021</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 2009 to fund Library operations from January 2010 to December 2010, 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 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.

# Redford Township District Library

## Notes to Financial Statements March 31, 2010

### 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 currently does not require employee contributions.

**Annual Pension Cost** - For the year ended March 31, 2010, the Library's annual pension cost of \$74,000 was equal to the required and actual contribution that was determined by the actuarial valuation at December 31, 2007, 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		
	2008	2009	2010
Annual pension cost (APC)	\$ 102,000	\$ 78,000	\$ 74,000
Percentage of APC contributed	100.0%	100.0%	100.0%
	Actuarial Valuation as of December 31		
	2006	2007	2008
Actuarial value of assets	\$ 1,411,904	\$ 1,539,905	\$ 1,608,859
Actuarial accrued liability (AAL) (entry age)	\$ 1,574,094	\$ 1,705,172	\$ 1,835,329
Unfunded AAL (UAAL)	\$ 162,190	\$ 165,267	\$ 226,470
Funded ratio	89.7%	90.3%	87.7%
Covered payroll	\$ 455,168	\$ 555,443	\$ 508,569
UAAL as a percentage of covered payroll	35.6%	29.8%	44.5%

# Redford Township District Library

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## Notes to Financial Statements March 31, 2010

### Note 9 - Pension Plan (Continued)

**Actuarial Methods and Assumptions** - In the December 31, 2008 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.

### 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.

**Plan Description** - The Library provides retiree healthcare benefits to eligible employees and their spouses. This is a single employer defined benefit plan administered by the Library. The benefits are provided to employees based on board approval.

**Funding Policy** - The employee benefit currently does not require a contribution from employees. The Library has no obligation to make contributions in advance of when the insurance premiums are due for payment.

**Funding Progress** - For the year ended March 31, 2010, the Library has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of March 31, 2010. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

# Redford Township District Library

## Notes to Financial Statements March 31, 2010

### Note 10 - Postemployment Benefits (Continued)

Annual required contribution (recommended)	\$	503,292
Interest on the prior year's net OPEB obligation		-
Less adjustment to the annual required contribution		-
		<hr/>
Annual OPEB cost		503,292
Amounts contributed:		
Payments of current premiums		-
Advance funding		-
		<hr/>
Increase in net OPEB obligation		503,292
OPEB obligation - Beginning of year		-
		<hr/>
OPEB obligation - End of year	\$	<u>503,292</u>

The funding progress of the plan as of the most recent valuation date is as follows:

Actuarial value of assets	\$	-
Actuarial accrued liability (AAL)	\$	3,253,746
Unfunded AAL (UAAL)	\$	3,253,746
Funded ratio		-
Annual covered payroll	\$	508,569
Ratio of UAAL to covered payroll		640%

**Actuarial Methods and Assumptions** - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

# Redford Township District Library

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## Notes to Financial Statements March 31, 2010

### **Note 10 - Postemployment Benefits (Continued)**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the March 31, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date and an annual healthcare cost trend rate of 10 percent initially and then graded down to 5 percent in 2015. The UAAL is being amortized on a level dollar closed basis. The remaining amortization period at March 31, 2010 was 30 years.

### **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:

# Redford Township District Library

## Notes to Financial Statements March 31, 2010

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

<b>Total Fund Balance - Modified Accrual Basis</b>		\$ 5,587,986
Amounts reported in the statement of net assets are different because:		
Property tax revenue not collected within 60 days of year end is recorded as deferred revenue in the funds		191,969
Capital assets are not financial resources and are not reported in the funds		8,678,556
Compensated absences:		
Current portion	\$ (23,044)	
Long-term portion	<u>(54,796)</u>	(77,840)
Long-term debt:		
Current portion	(355,000)	
Long-term portion	<u>(6,095,000)</u>	(6,450,000)
Net OPEB obligation does not present a claim on current financial resources. Therefore, it is not reported as a fund liability		<u>(503,292)</u>
<b>Total Net Assets - Full Accrual Basis</b>		<u><u>\$ 7,427,379</u></u>
<b>Net Change in Fund Balances - Modified Accrual Basis</b>		\$ (348,854)
Amounts reported in the statement of activities are different because:		
Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the funds		2,621
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		184,652
Capital outlay		33,220
Depreciation		(484,515)
Increase in net OPEB obligation expenses reported in the statement of activities does not require the use of current resources and, therefore, is not reported in the fund statements until it comes due for payment		(503,292)
Increase in the accrual for compensated absences is reported as an expenditure in the fund financial statements, but not in the statement of activities		728
Repayment of bond principal is an expenditure in the fund financial statement, but not in the statement of activities		<u>340,000</u>
<b>Change in Net Assets - Full Accrual Basis</b>		<u><u>\$ (775,440)</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, 2010

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
<b>Revenue</b>				
Millage	\$ 1,100,000	\$ 1,100,000	\$ 1,166,434	\$ 66,434
Penal fines	45,000	45,000	60,568	15,568
State aid	15,000	15,000	15,609	609
Book fines	55,000	55,000	62,927	7,927
Interest	80,570	50,570	68,786	18,216
Other	23,200	23,200	64,851	41,651
Total revenue	1,318,770	1,288,770	1,439,175	150,405
<b>Expenditures</b>				
Personnel services	1,108,937	1,108,937	1,082,377	26,560
Contractual services and books	353,000	376,000	360,472	15,528
Operating costs	343,800	343,800	318,697	25,103
Capital outlay	68,000	45,000	40,125	4,875
Total expenditures	1,873,737	1,873,737	1,801,671	72,066
<b>Excess of Expenditures Over Revenue</b>	(554,967)	(584,967)	(362,496)	<b>\$ 222,471</b>
<b>Fund Balance - Beginning of year</b>	5,212,517	5,212,517	5,212,517	
<b>Fund Balance - End of year</b>	<b>\$ 4,657,550</b>	<b>\$ 4,627,550</b>	<b>\$ 4,850,021</b>	

# **Redford Township District Library**

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**Report to the Board of Directors**

**March 31, 2010**



**Plante & Moran, PLLC**  
 27400 Northwestern Highway  
 P.O. Box 307  
 Southfield, MI 48037-0307  
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July 23, 2010

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, 2010. In addition to our audit report, we are providing the following report on internal control and results of the audit:

	<u>Page</u>
<b>Report on Internal Control</b>	2-3
<b>Results of the Audit</b>	4-6

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

July 23, 2010

To the Board of Directors  
Redford Township District Library

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, 2010, 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 was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control 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 material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

- 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 control. The entries included adjustments required for the full accrual presentation of the government-wide statements, an adjustment to record accounts receivable and deferred revenue related to property taxes, and an adjustment to record the Library's investments to fair market value.

To the Board of Directors  
Redford Township District Library

July 23, 2010

This communication is intended solely for the information and use of management, the board of directors, 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



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## Results of the Audit

July 23, 2010

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, 2010 and have issued our report thereon dated July 23, 2010. 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 9, 2010, 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. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform 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. Such considerations were 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.

### **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 7, 2010.

## **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. No new accounting policies were adopted, except for the adoption of GASB Statement No. 45, during the year. The application of existing policies was not changed during the year ended March 31, 2010.

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 estimates affecting the financial statements were the allowance for uncollectible property taxes and the estimates related to pension and other postemployment benefits (OPEB) funding.

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 disclosures affecting the financial statements were Note 9 - Pension Plan and Note 10 - Postemployment Benefits.

### ***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 Statement No. 34, long-term debt and capital assets, including depreciation, were recorded in the government-wide financial statements. In addition, an adjustment to accounts receivable and deferred revenue for property taxes and a fair market value adjustment to the Library's investments were recorded.

***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 Representations***

We have requested certain representations from management that are included in the management representation letter dated July 23, 2010.

***Management 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.

Very truly yours,

**Plante & Moran, PLLC**



Leslie J. Pulver



William E. Brickey