

CHARLEVOIX PUBLIC LIBRARY

CHARLEVOIX, MICHIGAN

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FINANCIAL STATEMENTS

AND OTHER FINANCIAL INFORMATION

for the year ended June 30, 2008

MASON & KAMMERMANN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
CHARLEVOIX, MICHIGAN

# **Charlevoix Public Library**

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MASON & KAMMERMANN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

August 13, 2008

Members of the Library Board  
Charlevoix Public Library  
Charlevoix, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charlevoix Public Library, as of and for the year ended June 30, 2008, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Charlevoix Public Library as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mason & Kammermann PC". The signature is written in a cursive, flowing style.

Mason & Kammermann, P.C.  
Certified Public Accountants

# **Charlevoix Public Library**

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## **Management's Discussion and Analysis August 13, 2008**

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Charlevoix Public Library's basic financial statements for the fiscal year ended June 30, 2008. The Library's basic financial statements comprise three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Library's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Library's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the Library's net assets changed during the most recent fiscal year, using the full accrual basis of accounting.

Both government-wide financial statements distinguish functions of the entity that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees. The governmental activities of the Library include a single program function, culture and recreation, and the Debt Service Fund that is reported separately from the general library operations.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Charlevoix Public Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Library are classified as governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

# Charlevoix Public Library

## Management's Discussion and Analysis August 13, 2008

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

### Summary of Net Assets

The following schedule summarizes the net assets at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
<b>Current assets</b>	\$ 1,652,870	\$ 1,229,572
<b>Noncurrent assets:</b>		
Capital assets, net accumulated depreciation	8,610,954	8,837,416
Unamortized bond expenses	<u>43,665</u>	<u>46,394</u>
Total noncurrent assets	<u>8,654,619</u>	<u>8,883,810</u>
Total assets	10,307,489	10,113,382
<u>Liabilities and Net Assets</u>		
<b>Current liabilities</b>	332,218	301,649
<b>Noncurrent liabilities:</b>		
Long-term debt, net current portion	6,480,000	6,750,000
Compensated absences	<u>15,297</u>	<u>14,120</u>
Total noncurrent liabilities	<u>6,495,297</u>	<u>6,764,120</u>
Total liabilities	6,827,515	7,065,769
<b>Net Assets</b>		
Invested in capital assets	1,904,619	1,893,810
Restricted for debt service	324,486	108,701
Unrestricted	<u>1,250,869</u>	<u>1,045,102</u>
Total net assets	<u>\$ 3,479,974</u>	<u>\$ 3,047,613</u>

# Charlevoix Public Library

## Management's Discussion and Analysis August 13, 2008

### Analysis of Financial Position

During the fiscal year ended June 30, 2008, the Library's net assets increased by \$432,361. A few significant factors affecting net assets are discussed below.

### Depreciation Expense

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with generally accepted accounting principles (GAAP), depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2008, \$274,600 was recorded for depreciation expense in the Statement of Activities.

### Capital Outlay Acquisitions

For the fiscal year ended June 30, 2008, \$80,428 of expenditures were capitalized and recorded as assets of the Library. These additions to the Library's capital assets will be depreciated over time as explained above.

### Results of Operations

For the fiscal year ended June 30, 2008 and 2007, the results of operations were:

	<u>2008</u>	<u>% of Total</u>	<u>2007</u>	<u>% of Total</u>
<b>General Revenues</b>				
Property taxes	1,314,951	72.19%	1,240,124	63.51%
Investment earnings	38,727	2.13%	230,385	11.80%
Penal fines	62,748	3.44%	58,812	3.01%
Donations	99,177	5.44%	357,728	18.32%
State Aid	7,027	0.39%	7,429	0.38%
Gain on sale of fixed assets	179,360	9.85%	-	0.00%
Other	46,292	2.54%	23,554	1.21%
Total general revenues	<u>1,748,282</u>	<u>95.98%</u>	<u>1,918,032</u>	<u>98.23%</u>
<b>Program Revenues</b>				
Grants	<u>73,257</u>	<u>4.02%</u>	<u>34,585</u>	<u>1.77%</u>
Total revenues	<u>1,821,539</u>	<u>100.00%</u>	<u>1,952,617</u>	<u>100.00%</u>
<b>Expenses</b>				
Recreation and culture	<u>1,389,178</u>	<u>100.00%</u>	<u>1,240,538</u>	<u>100.00%</u>
Changes in Net Assets	<u>\$ 432,361</u>		<u>\$ 712,079</u>	

# Charlevoix Public Library

## Management's Discussion and Analysis August 13, 2008

Significant revenues and expenses are discussed in the segments below.

### 1. Property Taxes

The Library levies mills of property taxes for operations and for debt service relating to the addition and renovation of the new building.

For 2007-2008, the District levied \$831,937 in operating property taxes and \$483,014 in debt service property taxes.

### 2. Donations

During the year, the Library received donations during the year, many of which were allocated for the building project. For the fiscal year ended June 30, 2008, donations accounted for \$99,177.

### Comparative Expenditures

A comparison of program expenditures reported on the Statement of Activities is shown below:

<b>Expenditures</b>	<b>2008-2007 Fiscal Year</b>	<b>2007-2006 Fiscal Year</b>	<b>Increase (Decrease)</b>
Salaries and wages	\$ 379,776	\$ 345,662	\$ 34,114
Employee benefits	94,112	87,707	6,405
Professional services	23,279	66,264	(42,985)
Occupancy	184,322	146,457	37,865
Materials	66,103	51,752	14,351
Depreciation	274,600	203,318	71,282
Amortization	2,729	2,729	-
Interest and fees	275,508	281,124	(5,616)
Other	88,749	55,525	33,224
Total Expenditures	<u>\$ 1,389,178</u>	<u>\$ 1,240,538</u>	<u>\$ 148,640</u>

### Financial Analysis of the Library's Funds

At June 30, 2008, the Library's governmental funds reported combined cash and cash equivalents of \$1,650,348, which is an increase of \$423,054 from last year.

Revenues in the General Fund exceeded expenditures by \$206,944.

# Charlevoix Public Library

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## Management's Discussion and Analysis August 13, 2008

The Debt Service Fund had a \$213,923 increase in its fund balance this year. This was primarily due proceeds from the sale of fixed assets.

### General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the Board approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the year on June 30. There were no amendments to the budget during the year,

The following schedule shows a comparison of the original fund budget, the final amended general fund budget and actual totals from operations:

	Original Budget	Final Budget	Actual	Variance With Final Budget
Total revenues	\$ 1,121,900	\$ 1,121,900	\$ 1,123,713	\$ 1.813
Total expenditures	822,095	822,095	916,769	( 94,674)
Excess revenues over expenditures	<u>\$ 299,805</u>	<u>\$ 299,805</u>	<u>\$ 206,944</u>	<u>\$ ( 92,861)</u>

### Capital Assets

At June 30, 2008, the Library had \$9,554,805 in capital assets, including buildings and improvements, equipment, furniture and fixtures, and books. Depreciation expense for the year amounted to \$274,600 bringing the accumulated depreciation to \$943,851 as of June 30, 2008.

### Requests for Information

This financial report is designed to provide a general overview of the Library's finances. If you have questions about this report, please contact Charlevoix Public Library, 220 W. Clinton Street, Charlevoix, MI 49720.

# Charlevoix Public Library

## Statement of Net Assets June 30, 2008

<u>Assets</u>	<u>Governmental Activities</u>
<b>Current Assets</b>	
Cash and cash equivalents	\$ 1,650,348
Accounts receivable	22
Taxes receivable	2,500
	<hr/>
Total current assets	1,652,870
	<hr/>
<b>Noncurrent Assets</b>	
Capital assets, net of accumulated depreciation	8,610,954
Unamortized bond expenses	43,665
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Total noncurrent assets	8,654,619
	<hr/>
Total assets	10,307,489
 <b><u>Liabilities and Net Assets</u></b>	
<b>Current Liabilities</b>	
Accounts payable	12,696
Accrued wages	5,198
Accrued interest	44,324
Current portion of long-term debt	270,000
	<hr/>
Total current Liabilities	332,218
<b>Noncurrent Liabilities</b>	
Long-term debt, net of current portion	6,480,000
Compensated absences	15,297
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Total noncurrent liabilities	6,495,297
	<hr/>
Total liabilities	6,827,515
<b>Net Assets</b>	
Invested in capital assets, net of related debt	1,904,619
Restricted for debt service	324,486
Unrestricted	1,250,869
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Total net assets	<u>\$ 3,479,974</u>

The accompanying notes are a part of the financial statements.

# Charlevoix Public Library

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## Statement of Activities For The Year Ended June 30, 2008

	<u>Expenses</u>
Recreation and Culture	
Salaries	\$ 379,776
Professional services	23,279
Benefits	94,112
Materials	66,103
Occupancy	184,322
Depreciation	274,600
Amortization	2,729
Interest and fees	275,508
Other	<u>88,749</u>
Total program expenses	1,389,178
Program Revenues	
Grants	<u>73,257</u>
Net program expenses	(1,315,921)
General Revenues	
Property taxes - general operating	831,937
Property taxes - debt service	483,014
Investment earnings	38,727
Penal fines	62,748
State aid	7,027
Donations	99,177
Gain on sale of fixed assets	179,360
Other	<u>46,292</u>
Total general revenues	<u>1,748,282</u>
<b>Change in Net Assets</b>	432,361
<b>Net Assets - July 1, 2007</b>	<u>3,047,613</u>
<b>Net Assets - June 30, 2008</b>	<u><u>\$ 3,479,974</u></u>

The accompanying notes are a part of the financial statements.

# Charlevoix Public Library

## Governmental Funds Balance Sheet June 30, 2008

<u>Assets</u>	<u>General Fund</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 1,282,388	\$ 367,960	\$ 1,650,348
Accounts receivable	22	-	22
Taxes receivable	1,650	850	2,500
 Total assets	 <u>\$ 1,284,060</u>	 <u>\$ 368,810</u>	 <u>\$ 1,652,870</u>
 <b><u>Liabilities and Fund Balances</u></b>			
Liabilities:			
Accounts payable	\$ 12,696	\$ -	\$ 12,696
Accrued expenses	5,198	-	5,198
 Total liabilities	 <u>17,894</u>	 <u>-</u>	 <u>17,894</u>
Fund Balances:			
Reserved	-	368,810	368,810
Unreserved:			
Designated for capital projects	454,406	-	454,406
Undesignated	811,760	-	811,760
 Total fund balances	 <u>1,266,166</u>	 <u>368,810</u>	 <u>1,634,976</u>
 Total liabilities and fund balances	 <u>\$ 1,284,060</u>	 <u>\$ 368,810</u>	 <u>\$ 1,652,870</u>

The accompanying notes are a part of the financial statements.

# Charlevoix Public Library

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## Governmental Funds Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets June 30, 2008

Total Governmental Fund Balances \$ 1,634,976

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets and unamortized expenses used in governmental activities are not financial resources and are not reported in the governmental funds balance sheet

Cost of capital assets	\$ 9,554,805	
Accumulated depreciation	<u>(943,851)</u>	
		8,610,954
Unamortized bond expenses		43,665

Long term liabilities are not due and payable in the current period and are not reported in the governmental funds balance sheet

Bonds payable	(6,480,000)
Current maturities of debt, due in one year	(270,000)

Compensated absences are included as a liability on the statement of net assets

Compensated absences	(15,297)
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Interest payments on long-term liabilities are not due and payable in the current period and are not reported in the governmental funds balance sheet

Accrued interest	<u>(44,324)</u>
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Net Assets of Governmental Activities \$ 3,479,974

The accompanying notes are a part of the financial statements.

# Charlevoix Public Library

## Governmental Funds

### Statement of Revenues, Expenditures, and Changes in Fund Balances For The Year Ended June 30, 2008

	General Fund	Debt Service	Total Governmental Funds
<b>Revenues:</b>			
Local Sources			
Property tax levy	\$831,937	\$ 483,014	\$1,314,951
Earnings on investments and deposits	33,275	5,452	38,727
Grants	43,257	30,000	73,257
Donations	99,177	-	99,177
Other	46,292	-	46,292
Intermediate Sources			
Penal fines	62,748	-	62,748
State Sources			
State aid	7,027	-	7,027
Total revenues	1,123,713	518,466	1,642,179
<b>Expenditures:</b>			
Salaries	379,776	-	379,776
Employee fringe benefits	94,112	-	94,112
Professional services	23,279	-	23,279
Occupancy	184,322	-	184,322
Supplies and materials	66,103	-	66,103
Capital outlay	80,428	-	80,428
Debt Service:			
Principal	-	240,000	240,000
Interest and fees	-	275,508	275,508
Other	88,749	-	88,749
Total expenditures	916,769	515,508	1,432,277
Excess of revenues over expenditures	206,944	2,958	209,902
<b>Other financing sources (uses)</b>			
Proceeds from sale of fixed assets	210,965	-	210,965
Transfers in	-	210,965	210,965
Transfers out	(210,965)	-	(210,965)
Total other financing sources (uses)	-	210,965	210,965
<b>Net change in fund balances</b>	206,944	213,923	420,867
<b>Fund Balances - July 1, 2007</b>	1,059,222	154,887	1,214,109
<b>Fund Balances - June 30, 2008</b>	\$ 1,266,166	\$ 368,810	\$ 1,634,976

The accompanying notes are a part of the financial statements.

# Charlevoix Public Library

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## Governmental Funds Reconciliation of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities For The Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds \$ 420,867

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays and intangible assets as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation or amortization in the statement of net assets.

Depreciation expense	(274,600)
Capital outlay	80,428

Amortization expense	(2,729)
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The net effect of various transactions involving capital assets (i.e., sales and retirements) is to decrease net assets	(32,290)
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)

Bond payable payment	240,000
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Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid

Accrued interest	1,862
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Compensated Absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Compensated absences	<u>(1,177)</u>
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Changes in Net Assets - Governmental Activities	<u><u>\$ 432,361</u></u>
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The accompanying notes are a part of the financial statements.

# **Charlevoix Public Library**

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## **Notes to the Financial Statements For the Year Ended June 30, 2008**

### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting Entity**

The Charlevoix Public Library was established as a District Library on July 1, 1997, by agreement between Charlevoix Public School, City of Charlevoix, and Townships of Charlevoix, Eveline, Hayes, Marion and Norwood pursuant to the District Library Establishment Act. The Library Board consists of seven members, appointed one each by the governmental entities creating the District. Prior to July 1, 1997 the Library was operated as a fund of the Charlevoix Public School District.

The Library's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No.14.

#### **B. Government-wide and Fund Financial Statements**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Library as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Library has two governmental funds called the General Fund and Debt Service Fund.

#### **C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The accounts of the Library are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

# **Charlevoix Public Library**

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## **Notes to the Financial Statements For the Year Ended June 30, 2008**

### Accrual Method

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

### Modified Accrual Method

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible 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 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the Library receives cash.

The Library reports the following major governmental funds:

The General Fund is the primary operating fund of the Library. It is used to account for all financial resources of the Library.

The Debt Service Fund is used to account for the annual payments of principal, interest and expenses in connection with Library facility renovation and addition.

# **Charlevoix Public Library**

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## **Notes to the Financial Statements For the Year Ended June 30, 2008**

### D. Assets, Liabilities and Equity

#### 1. Cash and Investments

- (l) The investment policy of the Library allows it to invest in instruments allowed by State of Michigan statutes. State statutes authorize the Library to invest funds as follows:
  - (a) In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States
  - (b) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (II)
  - (c) In commercial paper rated at the time of purchase with the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase
  - (d) In repurchase agreements consisting of instruments listed in subdivision (a).
  - (e) In banker's acceptances of United States banks.
  - (f) In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
  - (g) In mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat, 789, 15 U.S.C. 80a-1 to 80a-3 to 80a-74, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
    - a. The purchase of securities on a when-issued or delayed delivery basis.
    - b. The ability to lend portfolio securities as long as the mutual fund received collateral at all times equal to at least 100% of the value of the securities loaned.
    - c. The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes

# **Charlevoix Public Library**

## **Notes to the Financial Statements For the Year Ended June 30, 2008**

- (h) In obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA7, MCL 124.501 to 124.512.
  - (i) In investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129141 to 129.150.
- (II) Assets acceptable for pledging to secure deposits of public funds are limited to assets authorized for direct investment under subsection (I).
- (III) As used in this section, "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.

### Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Books	7 years
Furniture and Fixtures	10 years
Equipment	5 years
Leasehold Improvements	20 years
Buildings	50 years

The Library's capitalization policy is to capitalize individual amounts exceeding \$500 and all books.

### 3. Compensated Absences

It is the Library's policy to permit employees to accumulate earned but unused sick pay benefits. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

# **Charlevoix Public Library**

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## **Notes to the Financial Statements For the Year Ended June 30, 2008**

### 4. Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### 5. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles 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 revenues and expense during the reporting period. Actual results could differ from those estimates.

### 6. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net assets.

## II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### A. Budgetary Information

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

An operating budget is prepared annually. The operating budget includes proposed expenditures and the means of financing them.

Prior to the start of the fiscal year that it covers, the Library Board approves the budget.

The Library Board must approve all transfers of budget amounts between accounts within the General Fund.

The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Library board.

Budget appropriations lapse at the end of the fiscal year.

# Charlevoix Public Library

## Notes to the Financial Statements For the Year Ended June 30, 2008

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) lapse at year-end and do not constitute expenditures or liabilities because the commitments will generally be reappropriated and honored during the subsequent year.

### Excess of Expenditures over Appropriations in Budgeted Funds

During the year, the Library incurred expenditures in excess of the amount appropriated.

<b>Fund/Function</b>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Recreation and culture:</b>	<u>\$ 822,095</u>	<u>\$ 822,095</u>	<u>\$ 916,769</u>	<u>\$ 94,674</u>

### Accumulated Fund Deficits

The Library had no funds with an accumulated fund balance/retained earnings deficit at June 30, 2008.

### DETAILED NOTES ON GENERAL FUND AND ACCOUNT GROUP

#### A. Deposits and Investments

The Library's deposits and investments are all on deposit with Charlevoix State Bank, Citizens Bank of Charlevoix and Comerica Bank.

Following is a breakdown of the deposits and investments:

Deposits – At year-end, the Library's bank balance of cash and cash equivalents was \$1,650,348, of which \$783,124 was covered by federal depository insurance and \$867,224 was uninsured and uncollateralized.

# Charlevoix Public Library

## Notes to the Financial Statements For the Year Ended June 30, 2008

### B. Capital Assets

A summary of changes in the Library's capital assets follows:

	Balance at July 1, 2007	Additions	Retirements	Balance at June 30, 2008
Capital Assets				
Buildings – 220 Clinton Street	\$ 8,450,348	\$ -	\$ -	\$ 8,450,348
Building – 109 Clinton Street	153,658	-	(153,658)	-
Leasehold Improvements	9,659	-	(9,659)	-
Equipment	239,731	32,255	(31,798)	240,188
Furniture and Fixtures	95,992	-	(59,582)	36,410
Book Collection	779,686	48,173	-	827,859
<b>Total Capital Assets</b>	<b>9,729,074</b>	<b>80,428</b>	<b>(254,697)</b>	<b>9,554,805</b>
Less Accumulated Depreciation	(891,658)	(274,600)	222,407	(943,851)
<b>Total Capital Assets</b>	<b>\$ 8,837,416</b>	<b>\$ (194,172)</b>	<b>\$ (32,290)</b>	<b>\$ 8,610,954</b>

Depreciation for the fiscal year ended June 30, 2008 totaled \$274,600.

### C. Other Assets

Bond issue expenses are being amortized under the straight-line method over the term of the bonds. The Statement of Activities reflects \$2,729 for the amortization of the bond issue expense for the year.

### D. Property Taxes

Property taxes levied by the various municipalities are periodically remitted to the Library. Property taxes are assessed as of January 1<sup>st</sup> and billed on December 1<sup>st</sup>. Unpaid taxes become delinquent as of February 14<sup>th</sup> and are subject to penalties and interest after that date.

For the year ended June 30, 2008, the Municipalities levied the following amount per \$1,000 of taxable valuation.

PURPOSE	MILLS
General Operating	.4400
General Operating	.6339
Debt	.6300

# Charlevoix Public Library

## Notes to the Financial Statements For the Year Ended June 30, 2008

Charlevoix County in which the Library is located, has a tax revolving fund which allows the county to pay off the various taxing units for their share of the current year real property taxes returned delinquent. As of June 30, 2008, the Library had taxes receivable for personal property taxes in the amount of \$2,500.

### E. Grants

The City of Charlevoix Downtown Development Authority has approved an annual grant of \$30,000 through the year 2024 to assist the Library with debt service costs. In addition, grant revenues of \$43,257 were received from the Charlevoix County Community Foundation.

### F. Long-Term Debt

A summary of the long-term debt transactions for the Library for the year ended June 30, 2008, is as follows:

	<b><u>Bonds Payable</u></b>
Long-term debt payable at July 1, 2007	\$6,990,000
Additions	-
Repayment	<u>(240,000)</u>
Long-term debt payable at June 30, 2008	<u>\$6,750,000</u>

### General Obligation Bonds

Building and site bonds of \$7,450,000 issued September 2004, due in annual installments of \$70,000 to \$590,000 through May, 2024; interest at 3 percent to 4.5 percent

\$ 6,750,000

# Charlevoix Public Library

## Notes to the Financial Statements For the Year Ended June 30, 2008

### Debt Service Requirements

Annual debt service requirements to service bonds outstanding including both principal and interest, as of June 30, 2008 are as follows:

<u>Year Ending 6/30</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Repayments Remaining</u>
2009	270,000	269,945	539,945
2010	300,000	261,845	561,845
2011	315,000	252,095	567,095
2012	330,000	241,070	571,070
2013	350,000	229,520	579,520
2014-2018	2,025,000	1,008,984	2,938,984
2019-2023	2,570,000	475,748	3,049,748
2024	590,000	26,550	616,550
	<u>\$ 6,750,000</u>	<u>\$ 2,695,519</u>	<u>\$ 9,445,519</u>

### Interest

Total interest paid during the year on bonds totaled \$275,508.

### G. Compensated Absences Liability

Employees of the Library are entitled to paid sick days depending on job classification, length of service and other factors. At June 30, 2008, the accrued expense for compensated absences was \$15,297. This liability is recorded only in the government-wide financial statements as a noncurrent liability.

	<u>COMPENSATED ABSENCES</u>
Compensated Absences at July 1, 2007	\$ 14,120
Net Increase/(Decrease)	<u>1,177</u>
Compensated Absences at June 30, 2008	<u>\$ 15,297</u>

### H. Short-Term Debt

The Library incurred no short-term debt activity for the year.

# **Charlevoix Public Library**

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## **Notes to the Financial Statements For the Year Ended June 30, 2008**

### I. Fund Equity Reservations and Designations

The General Fund has designated \$454,406 for capital projects.

The Debt Service Fund has \$368,810 reserved for repayment of long-term debt.

### IV. OTHER INFORMATION

#### A. Employee Retirement System

Charlevoix Public Library has adopted a retirement plan for eligible employees.. The plan is administered by ICMA Retirement Corporation and is a defined contribution money purchase plan. Currently under this plan, the Library contributes on behalf of full-time contracted employees 11 percent of the employee's regular wages (not including overtime and bonuses). The amount contributed for the year ended June 30, 2008 was \$17,600. Other employees are eligible to participate in this plan, but the Library is not obligated to make contributions on their behalf.

#### B. Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Library participates in two pools of municipalities within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The Library pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The Library has not been informed of any special assessments being required in the past 2 years.

The Library continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

# Charlevoix Public Library

## Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<b>Revenues:</b>				
Local Sources:				
Property tax levy	\$ 822,600	\$ 822,600	\$ 831,937	\$ 9,337
Earnings on investments and deposits	32,200	32,200	33,275	1,075
Grants	34,800	34,800	43,257	8,457
Donations	112,200	112,200	99,177	(13,023)
Other:				
Friends of library	10,000	10,000	9,919	(81)
Copy machine receipts	4,000	4,000	3,905	(95)
Room rentals	6,000	6,000	6,890	890
Book fines	9,000	9,000	10,360	1,360
Refunds and reimbursements	22,000	22,000	15,138	(6,862)
Miscellaneous	100	100	80	(20)
Total other	51,100	51,100	46,292	(4,808)
Intermediate Sources,				
Penal fines	62,000	62,000	62,748	748
State Sources,				
State of Michigan	7,000	7,000	7,027	27
Total revenues	1,121,900	1,121,900	1,123,713	1,813
<b>Expenditures:</b>				
Salaries				
Director	59,740	59,740	59,891	151
Other	240,260	240,260	319,885	79,625
Total salaries	300,000	300,000	379,776	79,776
Employee Fringe Benefits				
Employee insurance	43,031	43,031	41,213	(1,818)
Retirement	18,700	18,700	17,600	(1,100)
Social security	31,064	31,064	29,114	(1,950)
Unemployment	9,500	9,500	4,706	(4,794)
Worker's compensation	2,000	2,000	1,479	(521)
Total employee fringe benefits	104,295	104,295	94,112	(10,183)
Professional services	13,000	13,000	23,279	10,279

# Charlevoix Public Library

## Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Occupancy				
Cleaning services	42,000	42,000	39,626	(2,374)
Utilities	74,200	74,200	88,156	13,956
Insurance - property and liability	11,500	11,500	11,247	(253)
Landscaping	-	-	1,727	1,727
Repairs and maintenance	46,200	46,200	43,566	(2,634)
Total occupancy	173,900	173,900	184,322	10,422
Supplies and Materials				
Periodicals	9,000	9,000	8,262	(738)
Postage	7,500	7,500	6,305	(1,195)
Audio visual	14,000	14,000	15,450	1,450
Electronic subscriptions	11,000	11,000	11,645	645
Other supplies	24,300	24,300	24,441	141
Total supplies and materials	65,800	65,800	66,103	303
Other Operating Expenses				
Travel	10,900	10,900	10,732	(168)
Printing and publishing	11,000	11,000	11,812	812
Dues and fees	16,000	16,000	19,021	3,021
Refund of prior year property taxes	1,000	1,000	1,006	6
Programming	17,500	17,500	17,499	(1)
Grants	26,500	26,500	26,460	(40)
Miscellaneous	1,500	1,500	2,219	719
Total other operating expenses	84,400	84,400	88,749	4,349
Capital outlay	80,700	80,700	80,428	(272)
Total expenditures	822,095	822,095	916,769	94,674
Excess of revenues over expenditures	299,805	299,805	206,944	(92,861)
<b>Other financing sources (uses)</b>				
Proceeds from sale of fixed assets	-	-	210,965	210,965
Transfers out	-	-	(210,965)	(210,965)
<b>Net change in fund balance</b>	299,805	299,805	206,944	(92,861)
<b>Fund Balance - July 1, 2007</b>	1,059,222	1,059,222	1,059,222	-
<b>Fund Balance - June 30, 2008</b>	<u>\$ 1,359,027</u>	<u>\$ 1,359,027</u>	<u>\$ 1,266,166</u>	<u>\$ (92,861)</u>