

CHARLEVOIX PUBLIC LIBRARY

CHARLEVOIX, MICHIGAN

FINANCIAL STATEMENTS

AND OTHER FINANCIAL INFORMATION

for the year ended June 30, 2009

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 11, 2009

Members of the Library Board
Charlevoix Public Library
Charlevoix, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Charlevoix Public Library, as of and for the year ended June 30, 2009, 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 and each major fund of Charlevoix Public Library as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3–7 and 24-25 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

Management's Discussion and Analysis August 11, 2009

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, 2009. 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 11, 2009

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, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Current assets	\$ 1,462,277	\$ 1,652,870
Noncurrent assets:		
Capital assets, net accumulated depreciation	8,460,089	8,610,954
Investments at Community Foundation	179,791	-
Unamortized bond expenses	<u>40,936</u>	<u>43,665</u>
Total noncurrent assets	<u>8,680,816</u>	<u>8,654,619</u>
Total assets	10,143,093	10,307,489
<u>Liabilities and Net Assets</u>		
Current liabilities	361,513	332,218
Noncurrent liabilities:		
Long-term debt, net of current portion	6,180,000	6,480,000
Compensated absences	<u>10,047</u>	<u>15,297</u>
Total noncurrent liabilities	<u>6,190,047</u>	<u>6,495,297</u>
Total liabilities	<u>6,551,560</u>	<u>6,827,515</u>
Net Assets		
Invested in capital assets	2,021,025	1,904,619
Restricted for debt service	134,384	324,486
Unrestricted	<u>1,436,124</u>	<u>1,250,869</u>
Total net assets	<u>\$ 3,591,533</u>	<u>\$ 3,479,974</u>

Charlevoix Public Library

Management's Discussion and Analysis August 11, 2009

Analysis of Financial Position

During the fiscal year ended June 30, 2009, the Library's net assets increased by \$111,559. 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, 2009, \$284,924 was recorded for depreciation expense in the Statement of Activities.

Capital Outlay Acquisitions

For the fiscal year ended June 30, 2009, \$134,059 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, 2009 and 2008, the results of operations were:

	<u>2009</u>	<u>% of Total</u>	<u>2008</u>	<u>% of Total</u>
General Revenues				
Property taxes	\$ 1,160,788	75.77%	\$ 1,314,951	72.19%
Investment earnings	14,288	.93%	38,727	2.13%
Penal fines	53,892	3.52%	62,748	3.44%
Donations	177,155	11.56%	99,177	5.44%
State Aid	6,399	.41%	7,027	0.39%
Gain on sale of fixed assets	-	-	179,360	9.85%
Other	55,521	3.62%	46,292	2.54%
Total general revenues	<u>1,468,043</u>	<u>95.82%</u>	<u>1,748,282</u>	<u>95.98%</u>
Program Revenues				
Grants	<u>63,968</u>	<u>4.18%</u>	<u>73,257</u>	<u>4.02%</u>
Total revenues	<u>1,532,011</u>	<u>100.00%</u>	<u>1,821,539</u>	<u>100.00%</u>
Expenses				
Recreation and culture	<u>1,420,452</u>	<u>100.00%</u>	<u>1,389,178</u>	<u>100.00%</u>
Changes in Net Assets	<u>\$ 111,559</u>		<u>\$ 432,361</u>	

Charlevoix Public Library

Management's Discussion and Analysis August 11, 2009

Significant revenues and expenses are discussed in the segments below.

1. Property Taxes

The Library is supported by property taxes levied by the local district, which includes the City of Charlevoix and the Townships of Charlevoix, Eveline, Hayes, Marion and Norwood. Taxes are levied for operations and for debt service relating to the addition and renovation of the new building.

For 2008-2009, the District levied \$845,559 in operating property taxes and \$315,229 in debt service property taxes.

2. Donations

For the fiscal year ended June 30, 2009, donations accounted for \$177,155.

Comparative Expenditures

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

Expenditures	2008-2009 Fiscal Year	2007-2008 Fiscal Year	Increase (Decrease)
Salaries and wages	\$ 414,560	\$ 379,776	\$ 34,784
Employee benefits	117,133	94,112	23,019
Professional services	18,596	23,279	(4,683)
Occupancy	177,908	184,322	(6,415)
Materials	60,006	66,103	(6,097)
Depreciation	284,924	274,600	10,324
Amortization	2,729	2,729	-
Interest and fees	269,486	275,508	(6,022)
Other	75,110	88,749	(13,639)
Total Expenditures	<u>\$ 1,420,452</u>	<u>\$ 1,389,178</u>	<u>\$ 31,271</u>

Financial Analysis of the Library's Funds

At June 30, 2009, the Library's governmental funds reported combined cash and cash equivalents of \$1,459,755, a decrease of \$190,493 from last year primarily resulting from debt service costs in excess of revenues received specifically for the purpose of debt service.

Charlevoix Public Library

Management's Discussion and Analysis August 11, 2009

Revenues in the General Fund exceeded expenditures by \$180,005.

The Debt Service Fund had a \$190,786 decrease in its fund balance this year. This was primarily due to debt service costs in excess of revenues received, as discussed above.

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. Budget amendments made during the year were approved by the Board prior to year end.

As part of the budgetary process during the year, the Library Board established a reserve against the general fund of \$180,000 toward future capital and other organizational improvements. The funds were invested through the Charlevoix County Community Foundation. The invested funds are valued on the books at market and have a balance of \$179,791 as of June 30, 2009.

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

	Original Budget	Final Budget	Actual	Variance With Final Budget
Total revenues	\$ 1,007,900	\$ 1,164,500	\$ 1,182,627	\$ 18,127
Total expenditures	1,022,513	1,020,157	1,002,622	(17,535)
Excess revenues over expenditures	<u>\$ (14,613)</u>	<u>\$ 144,343</u>	<u>\$ 180,005</u>	<u>\$ 35,662</u>

Capital Assets

At June 30, 2009, the Library had \$9,688,864 in capital assets, including buildings and improvements, equipment, furniture and fixtures, and books. Depreciation expense for the year amounted to \$284,924 bringing the accumulated depreciation to \$1,228,775 as of June 30, 2009.

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, Michigan 49720.

Charlevoix Public Library

Statement of Net Assets June 30, 2009

<u>Assets</u>	<u>Governmental Activities</u>
Current Assets	
Cash and cash equivalents	\$ 1,459,755
Accounts receivable	22
Taxes receivable	<u>2,500</u>
Total current assets	1,462,277
Noncurrent Assets	
Capital assets, net of accumulated depreciation	8,460,089
Investments	179,791
Unamortized bond expenses	<u>40,936</u>
Total noncurrent assets	<u>8,680,816</u>
Total assets	10,143,093
 <u>Liabilities and Net Assets</u>	
Current Liabilities	
Accounts payable	12,285
Accrued expenses	5,588
Accrued interest	43,640
Current portion of long-term debt	<u>300,000</u>
Total current liabilities	361,513
Noncurrent Liabilities	
Long-term debt, net of current portion	6,180,000
Compensated absences	<u>10,047</u>
Total noncurrent liabilities	<u>6,190,047</u>
Total liabilities	6,551,560
Net Assets	
Invested in capital assets, net of related debt	2,021,025
Restricted for debt service	134,384
Unrestricted	<u>1,436,124</u>
Total net assets	<u><u>\$ 3,591,533</u></u>

The accompanying notes are a part of the financial statements.

Charlevoix Public Library

Statement of Activities For The Year Ended June 30, 2009

	<u>Expenses</u>
Recreation and Culture	
Salaries	\$ 414,560
Professional services	18,596
Benefits	117,133
Materials	60,006
Occupancy	177,908
Depreciation	284,924
Amortization	2,729
Interest and fees	269,486
Other	<u>75,110</u>
Total program expenses	1,420,452
Program Revenues	
Grants	<u>63,968</u>
Net program expenses	(1,356,484)
General Revenues	
Property taxes - general operating	845,559
Property taxes - debt service	315,229
Investment earnings	14,288
Penal fines	53,892
State aid	6,399
Donations	177,155
Other	<u>55,521</u>
Total general revenues	<u>1,468,043</u>
Change in Net Assets	111,559
Net Assets - July 1, 2008	<u>3,479,974</u>
Net Assets - June 30, 2009	<u><u>\$ 3,591,533</u></u>

The accompanying notes are a part of the financial statements.

Charlevoix Public Library

Governmental Funds Balance Sheet June 30, 2009

<u>Assets</u>	<u>General Fund</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 1,305,724	\$ 154,031	\$ 1,459,755
Accounts receivable	22	-	22
Taxes receivable	1,650	850	2,500
Due from General Fund	-	23,143	23,143
Investments	179,791	-	179,791
Total assets	<u>\$ 1,487,187</u>	<u>\$ 178,024</u>	<u>\$ 1,665,211</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 12,285	\$ -	\$ 12,285
Accrued expenses	5,588	-	5,588
Due to Debt Service Fund	23,143	-	23,143
Total liabilities	41,016	-	41,016
Fund Balances:			
Reserved	179,791	178,024	357,815
Unreserved	1,266,380	-	1,266,380
Total fund balances	<u>1,446,171</u>	<u>178,024</u>	<u>1,624,195</u>
Total liabilities and fund balances	<u>\$ 1,487,187</u>	<u>\$ 178,024</u>	<u>\$ 1,665,211</u>

The accompanying notes are a part of the financial statements.

Charlevoix Public Library

Governmental Funds Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets June 30, 2009

Total Governmental Fund Balances \$ 1,624,195

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	\$ 9,688,864	
Accumulated depreciation	<u>(1,228,775)</u>	
		8,460,089

Unamortized bond expenses		40,936
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Long term liabilities are not due and payable in the current period and are not reported in the governmental funds balance sheet

Bonds payable	(6,180,000)
Current maturities of debt, due in one year	(300,000)

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

Compensated absences	(10,047)
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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>(43,640)</u>
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Net Assets of Governmental Activities	<u><u>\$ 3,591,533</u></u>
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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, 2009

	<u>General Fund</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenues:			
Local Sources			
Property tax levy	\$845,559	\$ 315,229	\$1,160,788
Earnings on investments and deposits	10,133	4,155	14,288
Grants	33,968	30,000	63,968
Donations	177,155	-	177,155
Other	55,521	-	55,521
Intermediate Sources			
Penal fines	53,892	-	53,892
State Sources			
State aid	6,399	-	6,399
	<u>1,182,627</u>	<u>349,384</u>	<u>1,532,011</u>
Total revenues	1,182,627	349,384	1,532,011
Expenditures:			
Salaries	419,810	-	419,810
Employee fringe benefits	117,133	-	117,133
Professional services	18,596	-	18,596
Occupancy	177,908	-	177,908
Supplies and materials	60,006	-	60,006
Capital outlay	134,059	-	134,059
Debt Service:			
Principal	-	270,000	270,000
Interest and fees	-	270,170	270,170
Other	75,110	-	75,110
	<u>1,002,622</u>	<u>540,170</u>	<u>1,542,792</u>
Total expenditures	1,002,622	540,170	1,542,792
Excess (deficiency) of revenues over expenditures	180,005	(190,786)	(10,781)
Fund Balances - July 1, 2008	<u>1,266,166</u>	<u>368,810</u>	<u>1,634,976</u>
Fund Balances - June 30, 2009	<u>\$ 1,446,171</u>	<u>\$ 178,024</u>	<u>\$ 1,624,195</u>

The accompanying notes are a part of the financial statements.

Charlevoix Public Library

Governmental Funds Reconciliation of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities For The Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds \$ (10,781)

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	(284,924)
Capital outlay	134,059

Amortization expense	(2,729)
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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	270,000
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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	684
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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>5,250</u>
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Changes in Net Assets - Governmental Activities	<u><u>\$ 111,559</u></u>
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The accompanying notes are a part of the financial statements.

Charlevoix Public Library

Notes to the Financial Statements For the Year Ended June 30, 2009

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. 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 titled 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

Notes to the Financial Statements For the Year Ended June 30, 2009

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

Notes to the Financial Statements For the Year Ended June 30, 2009

D. Assets, Liabilities and Equity

1. Cash and Investments

- (I) 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, 2009

- (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.

2. 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
Land Improvements	20 years
Buildings	50 years

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

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 the government wide financial statements; however, a liability is only recorded in governmental fund financial statements if they have matured, for example, as a result of employee resignations or retirements.

Charlevoix Public Library

Notes to the Financial Statements For the Year Ended June 30, 2009

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.

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.

Charlevoix Public Library

Notes to the Financial Statements For the Year Ended June 30, 2009

III. DETAILED NOTES ON GENERAL FUND AND ACCOUNT GROUP

A. Deposits and Investments

The Library's deposits are invested with three locally represented banks. In addition, the library has established an investment arrangement with a local community foundation.

Following is a breakdown of the deposits and investments..

Deposits – At year-end, the Library's bank balance of cash and cash equivalents was \$1,459,755, of which \$1,049,252 was covered by federal depository insurance and \$410,503 was uninsured and uncollateralized.

Investments – During the year, the Library Board established a reserve against general funds of \$180,000 toward future capital and organizational improvements. The funds were invested through the Charlevoix County Community Foundation and are valued at their market value of \$179,791 as of year end.

B. Capital Assets

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

	<u>Balance at July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2009</u>
Building & improvements	\$ 8,450,348	\$ 35,445	\$ -	\$ 8,485,793
Equipment	240,188	37,908	-	278,096
Furniture and Fixtures	36,410	-	-	36,410
Book Collection	827,859	60,706	-	888,565
Total Capital Assets	9,554,805	134,059	-	9,688,864
Less Accumulated Depreciation	(943,851)	(284,924)	-	(1,228,775)
Total Capital Assets	<u>\$ 8,610,954</u>	<u>\$ (150,865)</u>	<u>\$ -</u>	<u>\$ 8,460,089</u>

Depreciation for the fiscal year ended June 30, 2009 totaled \$284,924.

Charlevoix Public Library

Notes to the Financial Statements For the Year Ended June 30, 2009

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 1st and billed on December 1st. Unpaid taxes become delinquent as of February 14th and are subject to penalties and interest after that date.

For the year ended June 30, 2009, the Municipalities levied the following amount per \$1,000 of taxable valuation.

<u>PURPOSE</u>	<u>MILLS</u>
General Operating	.4400
General Operating	.6339
Debt Service	.4000

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, 2009, 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 \$63,968 were received from various donors.

Charlevoix Public Library

Notes to the Financial Statements For the Year Ended June 30, 2009

F. Long-Term Debt

Long-term debt transactions for the Library for the year ended June 30, 2009, are summarized as follows:

	<u>Bonds Payable</u>
Long-term debt payable at July 1, 2008	\$6,750,000
Additions	-
Repayment	<u>(270,000)</u>
Long-term debt payable at June 30, 2009	<u>\$6,480,000</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

\$ 6,480,000.

Debt Service Requirements

Annual debt service requirements to service bonds outstanding, including both principal and interest, as of June 30, 2009 are as follows:

<u>Year Ending 6/30</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Repayments Remaining</u>
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	3,033,984
2019-2023	2,570,000	475,748	3,045,748
2024	590,000	26,550	616,550
	<u>\$ 6,480,000</u>	<u>\$ 2,495,812</u>	<u>\$ 8,975,812</u>

Total interest and fees paid during the year on bonds amounted to \$270,170.

Charlevoix Public Library

Notes to the Financial Statements For the Year Ended June 30, 2009

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, 2009, the accrued expense for compensated absences was \$10,047. This liability is recorded only in the government-wide financial statements as a noncurrent liability.

	<u>COMPENSATED ABSENCES</u>
Compensated Absences at July 1, 2008	\$ 15,297
Net Increase/(Decrease)	<u>(5,250)</u>
Compensated Absences at June 30, 2009	<u>\$ 10,047</u>

H. Fund Equity Reservations and Designations

The General Fund has reserved \$179,791 for future organizational needs.

The Debt Service Fund has \$178,024 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 7 to 11 percent of the employee's regular wages (not including overtime and bonuses). The amount contributed for the year ended June 30, 2009 was \$23,598. Other employees are eligible to participate in this plan, but the Library is not obligated to make contributions on their behalf.

Charlevoix Public Library

Notes to the Financial Statements For the Year Ended June 30, 2009

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 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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Local Sources:				
Property tax levy	\$ 838,700	\$ 838,700	\$ 845,559	\$ 6,859
Earnings on investments and deposits	16,000	16,000	10,133	(5,867)
Grants	28,800	28,800	33,968	5,168
Donations	30,000	175,600	177,155	1,555
Other:				
Friends of library	18,000	19,400	23,012	3,612
Copy machine receipts	3,200	3,800	4,622	822
Room rentals	5,000	8,000	10,807	2,807
Book fines	6,000	7,000	10,480	3,480
Refunds and reimbursements	5,000	10,000	5,921	(4,079)
Miscellaneous	200	200	679	479
Total other	37,400	48,400	55,521	7,121
Intermediate Sources,				
Penal fines	50,000	50,000	53,892	3,892
State Sources,				
State of Michigan	7,000	7,000	6,399	(601)
Total revenues	1,007,900	1,164,500	1,182,627	18,127
Expenditures:				
Salaries				
Director	61,000	61,831	61,750	(81)
Other	357,786	363,169	358,060	(5,109)
Total salaries	418,786	425,000	419,810	(5,190)
Employee Fringe Benefits				
Employee insurance	61,100	61,100	58,969	(2,131)
Retirement	23,500	23,500	23,598	98
Social security	32,087	32,087	31,869	(218)
Unemployment	400	400	-	(400)
Worker's compensation	2,600	2,600	2,697	97
Total employee fringe benefits	119,687	119,687	117,133	(2,554)
Professional services	23,750	23,750	18,596	(5,154)

Charlevoix Public Library

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Occupancy				
Cleaning services	47,700	47,700	49,133	1,433
Utilities	85,000	96,500	88,952	(7,548)
Insurance - property and liability	10,200	10,800	10,853	53
Repairs and maintenance	25,870	29,970	28,970	(1,000)
Total occupancy	168,770	184,970	177,908	(7,062)
Supplies and Materials				
Periodicals	11,000	11,000	8,296	(2,704)
Postage	5,500	5,500	5,096	(404)
Audio visual	16,000	16,000	16,125	125
Electronic subscriptions	11,000	11,000	9,293	(1,707)
Other supplies	23,455	23,455	21,196	(2,259)
Total supplies and materials	66,955	66,955	60,006	(6,949)
Other Operating Expenses				
Travel	9,500	6,500	6,339	161
Printing and publishing	16,500	12,000	13,766	(1,766)
Dues and fees	23,100	18,400	19,477	(1,077)
Refund of prior year property taxes	1,000	1,000	867	133
Programming	37,400	33,500	27,112	6,388
Grants	10,000	-	4,000	(4,000)
Miscellaneous	3,800	3,600	3,549	51
Total other operating expenses	101,300	75,000	75,110	110
Capital outlay	123,265	124,795	134,059	9,264
Total expenditures	1,022,513	1,020,157	1,002,622	(17,535)
Excess (deficiency) of revenues over expenditures	(14,613)	144,343	180,005	35,662
Fund Balance - July 1, 2008	1,266,166	1,266,166	1,266,166	-
Fund Balance - June 30, 2009	\$ 1,251,553	\$ 1,410,509	\$ 1,446,171	\$ 35,662