

Audited Financial Statements

Clinton-Macomb Public Library

*Year ended November 30, 2009  
with Report of Independent Auditors*

Clinton-Macomb Public Library

Audited Financial Statements

Year Ended November 30, 2009

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ANDREWS HOOPER & PAVLIK P.L.C.  
Certified Public Accountants

Report of Independent Auditors

To the Board of Trustees  
Clinton-Macomb Public Library  
Clinton Township, Michigan

We have audited the basic financial statements of the Clinton-Macomb Public Library (the Library) as of and for the year ended November 30, 2009, as listed in the table of contents. These basic financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Clinton-Macomb Public Library as of November 30, 2009, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplementary information on pages 17 and 18 is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Clinton-Macomb Public Library. The information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Library has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Andrews Hooper & Pavlik P.L.C.*

Auburn Hills, Michigan  
January 28, 2010

Clinton-Macomb Public Library

Balance Sheet / Statement of Net Assets  
November 30, 2009

	Governmental Funds - Modified Accrual Basis			Adjustments	Statement of Net Assets
	General Fund	Debt Service Fund	Total		
<b>Assets:</b>					
Cash and cash equivalents	\$ 2,047,843	\$ 789	\$ 2,048,632	\$ -	\$ 2,048,632
Current investments	485,612	-	485,612	-	485,612
Library store inventory	19,472	-	19,472	-	19,472
Bond issue costs, net of amortization	20,908	-	20,908	-	20,908
Prepaid expenses	54,617	-	54,617	-	54,617
Interest and taxes receivable	3,142	-	3,142	-	3,142
Fixed assets, net of accumulated depreciation	-	-	-	15,407,686	15,407,686
<b>Total assets</b>	<b>\$ 2,631,594</b>	<b>\$ 789</b>	<b>\$ 2,632,383</b>	<b>15,407,686</b>	<b>18,040,069</b>
<b>Liabilities:</b>					
Trade accounts payable	\$ 52,630	\$ -	\$ 52,630	-	52,630
Accrued wages	94,620	-	94,620	-	94,620
Accrued payroll taxes	6,571	-	6,571	-	6,571
Pension contribution payable	6,680	-	6,680	-	6,680
Other liabilities	12,562	-	12,562	-	12,562
Accrued interest payable	-	-	-	103,436	103,436
Bonds payable, due within one year	-	-	-	500,000	500,000
Bonds payable, due after one year	-	-	-	13,637,458	13,637,458
Compensated absences	-	-	-	113,110	113,110
<b>Total liabilities</b>	<b>173,063</b>	<b>-</b>	<b>173,063</b>	<b>14,354,004</b>	<b>14,527,067</b>
<b>Fund Balances and Net Assets:</b>					
Fund balance - reserved					
Debt service	-	789	789	(789)	-
Fund balance - unreserved					
Designated	1,371,579	-	1,371,579	(1,371,579)	-
Undesignated	1,086,952	-	1,086,952	(1,086,952)	-
<b>Total fund balances</b>	<b>2,458,531</b>	<b>789</b>	<b>2,459,320</b>	<b>(2,459,320)</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,631,594</b>	<b>\$ 789</b>	<b>\$ 2,632,383</b>		
<b>Net assets:</b>					
Invested in capital assets, net of related debt				1,270,228	1,270,228
Restricted for debt service payments				789	789
Unrestricted				2,241,985	2,241,985
<b>Total net assets</b>				<b>\$ 3,513,002</b>	<b>\$ 3,513,002</b>

Clinton-Macomb Public Library

Statement of Revenues, Expenditures, and  
Changes in Fund Balance / Statement of Activities  
For the year ended November 30, 2009

	Governmental Funds - Modified Accrual Basis			Adjustments	Statement of Activities
	General Fund	Debt Service Fund	Total		
<b>Revenues:</b>					
Property taxes	\$ 5,852,131	\$ -	\$ 5,852,131	\$ -	\$ 5,852,131
Intergovernmental - State aid	88,908	-	88,908	-	88,908
Penal fines	131,478	-	131,478	-	131,478
Library fines and fees	243,545	-	243,545	-	243,545
Library store	21,788	-	21,788	-	21,788
Interest	44,082	5	44,087	-	44,087
Contributions and donations	66,529	-	66,529	-	66,529
Sale of fixed assets	1,060	-	1,060	(2,150)	(1,090)
Miscellaneous	46,770	-	46,770	-	46,770
<b>Total revenues</b>	<b>6,496,291</b>	<b>5</b>	<b>6,496,296</b>	<b>(2,150)</b>	<b>6,494,146</b>
<b>Expenditures:</b>					
General government:					
Salaries and wages	2,295,069	-	2,295,069	8,305	2,303,374
Employee benefits	634,161	-	634,161	-	634,161
Operating supplies	81,681	-	81,681	-	81,681
Voice and data services	68,123	-	68,123	-	68,123
Library store	12,332	-	12,332	-	12,332
Miscellaneous	28,944	-	28,944	-	28,944
Insurance	26,643	-	26,643	-	26,643
Contract maintenance	64,947	-	64,947	-	64,947
Facilities maintenance	298,423	-	298,423	-	298,423
Utilities	228,037	-	228,037	-	228,037
Rent	313,672	-	313,672	-	313,672
Programs - youth and adult	38,645	-	38,645	-	38,645
Periodicals	20,953	-	20,953	-	20,953
Electronic subscriptions	79,540	-	79,540	-	79,540
Conferences, workshops, and travel	39,084	-	39,084	-	39,084
Professional fees	103,393	1,150	104,543	-	104,543
Publicity	66,587	-	66,587	-	66,587
Capital outlay:					
Library books and materials	546,786	-	546,786	(546,786)	-
Capital outlay	154,802	-	154,802	(123,611)	31,191
Depreciation	-	-	-	1,320,558	1,320,558
Debt service:					
Principal	-	500,000	500,000	(500,000)	-
Interest and fiscal charges	-	631,118	631,118	65,973	697,091
<b>Total expenditures</b>	<b>5,101,822</b>	<b>1,132,268</b>	<b>6,234,090</b>	<b>224,439</b>	<b>6,458,529</b>
<b>Excess (deficiency) of revenues over expenditures / change in net assets</b>	<b>1,394,469</b>	<b>(1,132,263)</b>	<b>262,206</b>	<b>(226,589)</b>	<b>35,617</b>
Other financing sources (uses)					
Operating transfers in	-	1,132,268	1,132,268	(1,132,268)	-
Operating transfers out	(1,132,268)	-	(1,132,268)	1,132,268	-
<b>Total other financing sources (uses)</b>	<b>(1,132,268)</b>	<b>1,132,268</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses / change in net assets</b>	<b>262,201</b>	<b>5</b>	<b>262,206</b>	<b>(226,589)</b>	<b>35,617</b>
<b>Fund balance / net assets - beginning of year</b>	<b>2,196,330</b>	<b>784</b>	<b>2,197,114</b>	<b>1,280,271</b>	<b>3,477,385</b>
<b>Fund balance / net assets - end of year</b>	<b>\$ 2,458,531</b>	<b>\$ 789</b>	<b>\$ 2,459,320</b>	<b>\$ 1,053,682</b>	<b>\$ 3,513,002</b>

# Clinton-Macomb Public Library

## Notes to the Basic Financial Statements

November 30, 2009

### 1. Summary of Significant Accounting Policies

#### Introduction

The Clinton-Macomb Public Library (the Library) complies with accounting principles generally accepted in the United States of America as applicable to governmental units.

The Library's significant accounting policies are described below.

#### Financial Reporting Entity

The Clinton-Macomb Public Library was organized by the Charter Township of Clinton and Chippewa Valley Schools and began operations May 1, 1992. The District Library agreement was amended on May 12, 1997 to include Macomb Township as a participating municipality. Subsequent to Macomb Township joining Clinton Township as a participating municipality of the Clinton-Chippewa Valley District Library, in May 1997, the name of the district library was changed to Clinton-Macomb Public Library. The Library operates under the authority of the Michigan District Library Establishment Act, Public Act 24 of 1989, as amended, and is governed by an eight-member appointed Board of Trustees. It provides resources for the informational, educational, cultural, and recreational needs of its patrons.

In evaluating how to define the Library for financial reporting purposes, management has considered all potential component units. The decision to include or not include a potential component unit in the reporting entity was made by applying the criteria set forth in the accounting principles generally accepted in the United States of America, currently GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

Based upon the application of those criteria, the government-wide financial statements of the Library contain all the funds controlled by the Library's Board of Trustees as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the Library.

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds).

# Clinton-Macomb Public Library

## Notes to the Basic Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

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

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue 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.

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 components – invested in capital assets, net of related debt; restricted for debt service payments; and unrestricted net assets.

#### **Fund Financial Statements**

Governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources. Governmental funds are used to account for all or most of the Library's general activities, including the collection and disbursement of earmarked resources and the servicing of long-term debt.

Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are both "measurable and available"). Revenue is considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, interest, intergovernmental – State aid, and penal fines are susceptible to accrual. Other revenues become measurable and available when cash is received by the Library and are recognized as revenue at that time. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Expenditures are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

#### **The Library reports the following major governmental funds:**

##### **General Fund**

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Library. Revenues are derived primarily from property taxes, state distributions, penal fines, and other fines and fees.

# Clinton-Macomb Public Library

## Notes to the Basic Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### Debt Service Fund

This fund is used to account for the accumulation of financial resources for the payment of principal, interest, and related costs on general long-term debt paid primarily from taxes levied by the Library. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

#### Assets, Liabilities, and Equity

##### Cash and Cash Equivalents

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

##### Current Investments

The Library's current investments are primarily maintained in certificates of deposit with original maturities of less than one year from the date of acquisition.

##### Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first out (FIFO) basis. Inventories of governmental funds are recorded as expenditures when consumed, rather than when purchased. Certain payments to vendors reflect costs applicable to the future fiscal year and are recorded as prepaid items in both government-wide and fund financial statements.

##### 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 two years. Such assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated property and equipment are valued at their estimated fair value on the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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

Land improvements	15-30 years
Buildings	30 years
Building components	10-30 years
Building and leasehold improvements	7-30 years
Furniture and equipment	5-15 years
Library materials	5-7 years

# Clinton-Macomb Public Library

## Notes to the Basic Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, if applicable, as well as issuance costs, are deferred and amortized over the term of the related debt. Bonds payable are reported net of the applicable bond premium or discount. Long-term debt is shown net of the related bond reacquisition costs, which are also deferred and amortized over the life of the outstanding bonds.

In the fund financial statements, governmental funds recognize bond premiums and discounts in the current period. The face amount of debt issued is reported as other financing sources in the statement of governmental fund revenues, expenditures, and changes in fund balance.

#### Employee Vacation and Sick Leave (Compensated Absences)

Library employees have a vested right to receive payment for unused vacation and sick leave under conditions specified in the personnel policy manual. Accruals for these liabilities are recorded as earned by employees and reported in the government-wide financial statements.

#### Fund Equity

In the fund financial statements, the unreserved fund balances represent the amount available for budgeting future operations. Designations of unreserved fund balances in governmental funds indicate tentative plans for use of financial resources in a future period.

#### Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

### 2. Deposits and Investments

State statutes authorize the Library to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

# Clinton-Macomb Public Library

## Notes to the Basic Financial Statements (continued)

### 2. 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**

Cash deposits and cash equivalents (certificates of deposit with maturities less than 90 days and money market funds) are carried at cost. Cash deposits and certificates of deposit of the Library are in the name of the Library at various banks.

At November 30, 2009, the Library had eight depository accounts at five financial institutions in the State of Michigan. The book value of the Library's bank deposits, consisting of two non-interest bearing checking accounts, three interest bearing negotiable order of withdrawal accounts, two interest-bearing money market accounts, and one investment sweep account was \$2,048,632. Of the bank balance, \$1,828,219 was covered by Federal Depository Insurance, and \$244,784 was uninsured and uncollateralized; therefore subjecting the Library to custodial credit risk. Through June 30, 2010, negotiable order of withdrawal accounts are fully insured under the FDIC's Transaction Account Guarantee Program.

Custodial credit risk is the risk that, in the event of a bank failure, the Library's deposits may not be recovered. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

<u>Depository Accounts</u>	<u>Bank Balance</u>
Insured	\$ 1,828,219
Uninsured and uncollateralized	<u>244,784</u>
Total	<u>\$ 2,073,003</u>

At November 30, 2009, the Library had the following investments and maturities:

	Investment Maturities (in years)				
	Fair Market Value	Less than 1	1 – 5	6 – 10	More than 10
Deposits:					
Certificates of deposit	\$ 485,612	\$ 485,612	\$ -	\$ -	\$ -
Less investments reported as cash and cash equivalents on the statement of net assets	-				
Total investments	<u>\$ 485,612</u>				
As reported on the statement of net assets					
Current investments	\$ 485,612				
Noncurrent investments	-				
Total investments	<u>\$ 485,612</u>				

# Clinton-Macomb Public Library

## Notes to the Basic Financial Statements (continued)

### 2. 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 minimizes interest rate risk by designing the portfolio with the objective of attaining a rate of return throughout the budgetary and economic cycles commensurate with the Library's investment risk constraints and the cash flow characteristics of the portfolio.

#### Credit Risk

Credit risk is the risk that an issuer of or counterparty to an investment will not fulfill its obligations. The Library's investments are limited by those authorized under Public Act 20 of 1943 (as amended) for credit risk. The Library also has the following investment policies further limiting its investment choices:

- Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
- Repurchase agreements consisting of instruments listed above.
- Certificates of deposit and deposit accounts from financial institutions that maintain a principal office or branch office within the State of Michigan.
- Commercial paper rated A1P1 at the time of purchase maturing not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Mutual funds registered under the Investment Company Act of 1940, maintain a \$1.00 per share net asset value, and with authority to purchase only investment vehicles that are legal for direct investment by municipal entities under Public Act 20 of 1943 (as amended).
- Investment pools organized under the surplus funds Investment Pool Act, Public Act 367 of 1982.
- Investment pools organized through an interlocal agreement under the Urban Cooperation Act of 1967.

Certificates of deposit are not rated; however, 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.

# Clinton-Macomb Public Library

## Notes to the Basic Financial Statements (continued)

### 2. Deposits and Investments (continued)

#### Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library does not have a deposit policy for custodial credit risk of investments. The Library minimizes its risks by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which it does business using the criteria established in the Investment Policy.

#### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Library's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. To limit its exposure to concentration of credit risk, the Library's investment policy limits its investment choices by maturity dates, individual financial institutions, or specific class of securities in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. Investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit risk disclosures.

#### Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. State law and the Library's policy prohibit investment or deposit in foreign currency.

### 3. Fixed Assets

A summary of fixed asset activity of the Library is as follows:

	Balance 12/1/2008	Additions	Disposals	Balance 11/30/2009
Capital assets not being depreciated:				
Land	\$ 512,000	\$ -	\$ -	\$ 512,000
Total assets not being depreciated	512,000	-	-	512,000
Capital assets being depreciated:				
Land improvements	1,414,008	-	-	1,414,008
Buildings and improvements	14,374,472	-	-	14,374,472
Leasehold improvements	1,734,346	-	-	1,734,346
Furniture and fixtures	2,204,215	3,871	-	2,208,086
Equipment	2,387,381	119,740	(219,495)	2,287,626
Library books and materials	2,175,369	546,786	(361,913)	2,360,242
Total capital assets being depreciated	24,289,791	670,397	(581,408)	24,378,780
Accumulated depreciation	(8,741,794)	(1,320,558)	579,258	(9,483,094)
Net capital assets being depreciated	15,547,997	(650,161)	(2,150)	14,895,686
Total net capital assets	\$ 16,059,997	\$ (650,161)	\$ (2,150)	\$ 15,407,686

# Clinton-Macomb Public Library

## Notes to the Basic Financial Statements (continued)

### 4. Long-Term Debt

The Library issues bonds to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Library. Other long-term obligations include compensated absences, which is the liability to employees under the Library's vacation and sick pay policy. Under the Library's policy, employees earn vacation based on length and amount of service with the Library.

#### Refunded Bonds

On June 28, 2006, the Library issued \$9.8 million in limited tax general obligation refunding bonds with interest rates ranging between 3.75% and 4.20%. The Library issued the bonds to advance refund \$9.1 million of the outstanding series 2002 limited tax general obligation bonds with an interest rate of 5.00%. The Library used the net proceeds of the bonds to purchase United States government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2002 series bonds. As a result, that portion of the 2002 series bonds is considered defeased. Accordingly, the Library has removed the liability from its accounts.

The outstanding principal of the defeased bonds was \$9,100,000 at November 30, 2009. The defeased bonds will be redeemed on April 1, 2011 by the escrow agent.

The following is a summary of governmental long-term obligations of the Library for the year ended November 30, 2009:

	<b>Compensated Absences</b>	<b>Bonds</b>	<b>Total</b>
Balance – December 1, 2008	\$ 104,805	\$ 15,095,000	\$ 15,199,805
Additions	8,305	–	8,305
Retirements and payments	–	(500,000)	(500,000)
Balance – November 30, 2009	113,110	14,595,000	14,708,110
Less: current portion	–	(500,000)	(500,000)
Less: unamortized bond reacquisition costs	–	(457,542)	(457,542)
Total due after one year	\$ 113,110	\$ 13,637,458	\$ 13,750,568

Clinton-Macomb Public Library

Notes to the Basic Financial Statements (continued)

**4. Long-Term Debt (continued)**

Bonds payable at November 30, 2009 are comprised of the following issues:

2006 Refunding Bonds (Limited Tax General Obligation) dated June 28, 2006, due in annual installments of principal ranging from \$20,000 to \$1,115,000 plus accrued interest, at rates ranging from 3.75% to 4.20% through April 1, 2027.	\$ 9,795,000
2002 Library Building and Site Bonds (Limited Tax General Obligation), dated March 1, 2002, due in annual installments of principal ranging from \$400,000 to \$700,000 plus accrued interest, at rates ranging from 3.9% to 5.00% through April 1, 2017.	4,800,000
Total bonds payable	<u>\$ 14,595,000</u>

The annual requirements to service the outstanding debt to maturity (excluding compensated absences) are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 500,000	\$ 609,868	\$ 1,109,868
2011	500,000	588,118	1,088,118
2012	620,000	562,118	1,182,118
2013	655,000	533,137	1,188,137
2014	655,000	504,340	1,159,340
2015-2019	3,805,000	2,032,220	5,837,220
2020-2024	4,615,000	1,164,019	5,779,019
2025-2027	3,245,000	206,574	3,451,574
Total	<u>\$ 14,595,000</u>	<u>\$ 6,200,394</u>	<u>\$ 20,795,394</u>

Interest expenditures for all long-term debt for the year ended November 30, 2009 total \$631,118.

**5. Operating Leases**

The Library entered into a 10-year non-cancelable operating lease dated May 3, 1999, for the rental of land and buildings located in the Charter Township of Clinton (South Branch). The lease requires monthly payments of \$7,735, with annual adjustments based upon the Consumer Price Index – United States. The lease carries a renewal option for two additional five-year periods. During the year ended November 30, 2009, the Library exercised the first five-year renewal option. The lease requires the Library to pay for utilities and insurance.

The Library entered into a 10-year non-cancelable operating lease dated August 11, 2000, for the rental of land and buildings located in Macomb Township (North Branch). The lease requires monthly payments of \$15,189 during the first five years and \$17,476 during the second five years. The lease carries a renewal option for two additional five-year periods. The lease requires the Library to pay for utilities and insurance.

# Clinton-Macomb Public Library

## Notes to the Basic Financial Statements (continued)

### 5. Operating Leases (continued)

Future minimum rental payments for each of the succeeding five fiscal years are as follows:

2010	\$	302,536
2011		145,248
2012		92,819
2013		92,819
2014		92,819

Rent expenditures related with these agreements for the year ended November 30, 2009 total \$313,672.

### 6. Retirement Programs

#### Defined Contribution Plan

The Clinton-Macomb Public Library Employee Money Purchase Plan is a defined contribution plan pursuant to Section 414(h) of the Internal Revenue Code, established by the Library to provide benefits at retirement to eligible employees. The plan is administered by Nationwide Retirement Solutions. The Library is required to contribute 10% of annual compensation to the plan. The Library contributed \$170,353 to the plan for the year ended November 30, 2009.

#### Deferred Compensation Plan

The Library offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Library employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. There are no employer contributions required by the plan. The law was changed to allow trusts to be created for the plan assets, thereby insulating the assets from the unit of government's general creditors. The Library's plan administrator, Nationwide Retirement Solutions, created the trust and placed the assets of the plan within the trust. As a result, the plan assets are not reported in the Library's financial statements.

### 7. Property Taxes

Property taxes are levied every December 1 on the taxable valuation of property as of the preceding May 1. Taxes are due by February 14 of the following year.

The Library's 2008 ad valorem tax is levied and collectible on December 1, 2008 and is recognized as revenue in the year ended November 30, 2009, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2009 taxable valuation of the Library District totaled \$6.278 billion, on which ad valorem taxes levied consisted of .8961 mills for operating purposes. Delinquent tax payments, received throughout the year, are recognized as revenue in the year received, except for those received within 60 days of year-end, which are recognized as revenue as of November 30.

# Clinton-Macomb Public Library

## Notes to the Basic Financial Statements (continued)

### 8. Stewardship, Compliance, and Accountability

#### Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund and the Debt Service Fund. All annual appropriations lapse at the fiscal year-end. The appropriated budgets of the General Fund and Debt Service Fund are prepared on a detailed line-item basis. The Library does not maintain a formalized encumbrance accounting system. Budget appropriations are considered to be spent once goods are delivered or services are rendered.

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

1. Prior to the August Board meeting, the Library Director submits to the Finance and Audit Committee, a proposed operating budget for the fiscal year commencing the following December 1. In August, the Finance and Audit Committee submit the proposed operating budget to the Library Board. The budget is legally adopted by a Library Board resolution prior to September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at the Library's annual board meeting to obtain taxpayer comments.
3. Prior to December 1, the budget is legally adopted by a Library Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires the budget to be amended prior to the end of the fiscal year, when necessary to adjust appropriations, if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the budgeting act are disclosed as unfavorable variances on the budgetary comparison schedule (accounting principles generally accepted in the United States of America) – General Fund and Debt Service Fund.
4. The Director is authorized to transfer budgeted amounts between line-items within an activity. However, the Library Board must approve any revisions that alter the total expenditures for any activity.
5. The budget, as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to November 30.

#### Excess Expenditures over Appropriations in Budgetary Funds

P.A. 621 of 1978, Section 18(1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Library's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a fund, functional, and line-item basis.

Clinton-Macomb Public Library

Notes to the Basic Financial Statements (continued)

**8. Stewardship, Compliance, and Accountability (continued)**

During the year ended November 30, 2009, the Library incurred expenditures in excess of the amounts appropriated as follows:

Budget Item	Budget Appropriation	Actual Expenditure	Variance
General Fund:			
Salaries and wages	\$ 2,285,200	\$ 2,295,069	\$ 9,869
Operating supplies	80,200	81,681	1,481
Voice and data services	64,200	68,123	3,923
Miscellaneous	27,300	28,944	1,644
Conferences, workshops, and travel	37,800	39,084	1,284
Library books and materials	546,100	546,786	686

**9. 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 carries commercial insurance for claims related to these losses. The Library also carries commercial insurance for other risks of loss, including employee health and accident insurance.

**10. Related Party Transaction**

A trustee of the Library was also a board member of a financial institution that held Library deposits during the year ended November 30, 2009. At November 30, 2009 the deposit account consisted of one negotiable order of withdrawal account in the amount of \$850,636. Deposits maintained at this financial institution did not exceed FDIC coverage.

**11. Designated Fund Balance**

The Board of Trustees of the Library has the authority to designate, or set aside, all or a portion of the unreserved fund balance for specified purposes. The following is a summary of those designations that the Board of Trustees has adopted at November 30, 2009:

Fund	Purpose	Amount
General Fund	Debt service leveling	\$ 73,792
	Facilities maintenance	408,498
	Technology replacement	709,484
	Compensated absences	104,805
	Short-term disability	25,000
	Unemployment compensation	50,000
Total designated fund balance		<u>\$ 1,371,579</u>

Clinton-Macomb Public Library

Notes to the Basic Financial Statements (continued)

**12. Reconciliation of Fund Financial Statements to Government-Wide Financial Statements**

Total fund balance and the net change in fund balance of the Library’s governmental funds differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and changes in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

<b>Total Fund Balance – Modified Accrual Basis</b>	\$ 2,459,320
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources and are not reported in the funds	15,407,686
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(14,137,458)
Interest payments on long-term liabilities are not due and payable in the current period and are not reported in the funds	(103,436)
Compensated absences are included as a liability	(113,110)
<b>Net Assets – Full Accrual Basis</b>	<u><u>\$ 3,513,002</u></u>

<b>Net Change in Fund Balance – Modified Accrual Basis</b>	\$ 262,206
Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	670,397
Depreciation	(1,320,558)
Loss on sale of fixed assets	(2,150)
Increase in the accrual for long-term compensated absences reported as an increase in expenditures in the statement of activities but not in the fund statements	(8,305)
Amortization of the deferred charge on the refunding bonds is reported as an expenditure in the statement of activities but not in the fund statements	(69,500)
Decrease in accrued interest reported as an expenditure in the statement of activities but not in the fund statements	3,527
Repayments of bond principal are reported as an expenditure in the fund statements but not in the statement of activities (where it reduces long-term debt)	500,000
<b>Net Change in Net Assets – Full Accrual Basis</b>	<u><u>\$ 35,617</u></u>

Required Supplementary Information

Clinton-Macomb Public Library

Budgetary Comparison Schedule  
Year ended November 30, 2009

	<b>General Fund</b>			
	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Property taxes	\$ 5,843,400	\$ 5,851,900	\$ 5,852,131	\$ 231
Intergovernmental - State aid	91,900	88,908	88,908	-
Penal fines	145,000	131,478	131,478	-
Library fines and fees	210,000	239,700	243,545	3,845
Library store	30,000	23,400	21,788	(1,612)
Interest	90,000	43,200	44,082	882
Contributions and donations	32,250	59,200	66,529	7,329
Sale of fixed asset	-	-	1,060	1,060
Miscellaneous	56,300	60,844	46,770	(14,074)
<b>Total revenues</b>	<b>6,498,850</b>	<b>6,498,630</b>	<b>6,496,291</b>	<b>(2,339)</b>
<b>Expenditures:</b>				
General government:				
Salaries and wages	2,293,600	2,285,200	2,295,069	(9,869)
Employee benefits	669,000	662,900	634,161	28,739
Operating supplies	111,000	80,200	81,681	(1,481)
Voice and data services	60,300	64,200	68,123	(3,923)
Library store	20,200	12,800	12,332	468
Miscellaneous	22,500	27,300	28,944	(1,644)
Insurance	31,000	28,200	26,643	1,557
Contract maintenance	79,400	69,100	64,947	4,153
Facilities maintenance	375,600	301,700	298,423	3,277
Utilities	255,000	229,200	228,037	1,163
Rent	307,500	339,500	313,672	25,828
Programs - youth and adult	31,300	40,300	38,645	1,655
Periodicals	23,500	23,500	20,953	2,547
Electronic subscriptions	91,170	84,170	79,540	4,630
Conferences, workshops, and travel	55,200	37,800	39,084	(1,284)
Professional fees	108,600	116,500	103,393	13,107
Publicity	78,300	70,200	66,587	3,613
<b>Total general government</b>	<b>4,613,170</b>	<b>4,472,770</b>	<b>4,400,234</b>	<b>72,536</b>
Capital outlay:				
Library books and materials	570,630	546,100	546,786	(686)
Equipment	133,600	155,800	154,802	998
<b>Total capital outlay</b>	<b>704,230</b>	<b>701,900</b>	<b>701,588</b>	<b>312</b>
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total debt service</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total expenditures</b>	<b>5,317,400</b>	<b>5,174,670</b>	<b>5,101,822</b>	<b>72,848</b>
<b>Excess of revenues over expenditures</b>	<b>1,181,450</b>	<b>1,323,960</b>	<b>1,394,469</b>	<b>70,509</b>
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	(1,132,368)	(1,132,368)	(1,132,268)	100
<b>Total other financing sources (uses)</b>	<b>(1,132,368)</b>	<b>(1,132,368)</b>	<b>(1,132,268)</b>	<b>100</b>
<b>Excess of revenues and other sources over expenditures and other uses</b>	<b>49,082</b>	<b>191,592</b>	<b>262,201</b>	<b>70,609</b>
<b>Fund balance - beginning of year</b>	<b>2,196,330</b>	<b>2,196,330</b>	<b>2,196,330</b>	<b>-</b>
<b>Fund balance - end of year</b>	<b>\$ 2,245,412</b>	<b>\$ 2,387,922</b>	<b>\$ 2,458,531</b>	<b>\$ 70,609</b>

Clinton-Macomb Public Library

Budgetary Comparison Schedule  
Year ended November 30, 2009

	<b>Debt Service Fund</b>			
	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental - State aid	-	-	-	-
Penal fines	-	-	-	-
Library fines and fees	-	-	-	-
Library store	-	-	-	-
Interest	-	-	5	5
Contributions and donations	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>5</b>
<b>Expenditures:</b>				
General government:				
Salaries and wages	-	-	-	-
Employee benefits	-	-	-	-
Operating supplies	-	-	-	-
Voice and data services	-	-	-	-
Library store	-	-	-	-
Miscellaneous	-	-	-	-
Insurance	-	-	-	-
Contract maintenance	-	-	-	-
Facilities maintenance	-	-	-	-
Utilities	-	-	-	-
Rent	-	-	-	-
Programs - youth & adult	-	-	-	-
Periodicals	-	-	-	-
Electronic subscriptions	-	-	-	-
Conferences, workshops, and travel	-	-	-	-
Professional fees	1,250	1,250	1,150	100
Publicity	-	-	-	-
<b>Total general government</b>	<b>1,250</b>	<b>1,250</b>	<b>1,150</b>	<b>100</b>
Capital outlay:				
Library books and materials	-	-	-	-
Equipment	-	-	-	-
<b>Total capital outlay</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Debt service:				
Principal	500,000	500,000	500,000	-
Interest and fiscal charges	631,118	631,118	631,118	-
<b>Total debt service</b>	<b>1,131,118</b>	<b>1,131,118</b>	<b>1,131,118</b>	<b>-</b>
<b>Total expenditures</b>	<b>1,132,368</b>	<b>1,132,368</b>	<b>1,132,268</b>	<b>100</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,132,368)</b>	<b>(1,132,368)</b>	<b>(1,132,263)</b>	<b>105</b>
Other financing sources (uses)				
Operating transfers in	1,132,368	1,132,368	1,132,268	(100)
Operating transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>1,132,368</b>	<b>1,132,368</b>	<b>1,132,268</b>	<b>(100)</b>
<b>Excess of revenues and other sources over expenditures and other uses</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>5</b>
<b>Fund balance - beginning of year</b>	<b>784</b>	<b>784</b>	<b>784</b>	<b>-</b>
<b>Fund balance - end of year</b>	<b>\$ 784</b>	<b>\$ 784</b>	<b>\$ 789</b>	<b>\$ 5</b>