

Audited Financial Statements
Clinton-Macomb Public Library
*Year Ended November 30, 2017
with Report of Independent Auditors*

Clinton-Macomb Public Library

Audited Financial Statements

Year Ended November 30, 2017

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Report of Independent Auditors

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

We have audited the accompanying financial statements of the governmental activities and the major funds of Clinton-Macomb Public Library as of and for the year ended November 30, 2017, and the related notes to the financial statements, which collectively comprise the Clinton-Macomb Public Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of Clinton-Macomb Public Library as of November 30, 2017 and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and pages 26 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Andrews Hooper Pavlik PLC

Auburn Hills, Michigan
April 18, 2018

Clinton-Macomb Public Library

Management's Discussion and Analysis

November 30, 2017

Our discussion and analysis of the Clinton-Macomb Public Library's (Library) financial performance provides an overview of the Library's financial activities for the fiscal year ended November 30, 2017 and should be read in conjunction with the Library's basic financial statements.

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 (Library Board). It provides resources for the informational, educational, cultural, and recreational needs of its patrons.

Using this Annual Report

The annual report consists of financial statements presenting both a fund-based view and a government-wide view of the Library.

The general and debt service fund columns present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. The general fund and debt service fund modified accrual basis financial statements provide detailed information about the Library's current financial resources. This information is important as it shows the stewardship of the Library's annual property tax and other revenue.

The government-wide columns provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. This longer-term view uses the accrual basis of accounting so that it can measure the true cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing Library services. The Library's full accrual basis financial statements present information about the Library's total economic resources, including long-lived assets and long-term obligations. This information is important as it recognizes the long-term ramifications of decisions made by the Library on an ongoing basis.

Clinton-Macomb Public Library

Management's Discussion and Analysis

Financial Highlights

The following table shows the current year's net position compared to the prior year.

Condensed Statements of Net Position

	November 30	
	2017	2016
Assets		
Cash and investments	\$ 3,707,740	\$ 3,083,592
Other assets	30,630	11,497
Capital assets	16,656,695	16,979,324
Total assets	20,395,065	20,074,413
Deferred outflow of resources		
Deferred amount on refunding	-	24,765
Liabilities		
Accounts payable and other liabilities	230,845	241,089
Bonds payable	15,887,081	16,923,793
Compensated absences	206,978	196,112
Total liabilities	16,324,904	17,360,994
Net position		
Invested in capital assets, net	769,614	55,531
Unrestricted	3,300,547	2,682,653
Total net position	\$ 4,070,161	\$ 2,738,184

Total assets increased by approximately \$321,000, or approximately 2%, as a result of an improved cash position due to increases in additional property tax revenue and other revenue increases. Similarly, total liabilities decreased by approximately \$1,036,000, or approximately 6%, as a result of debt payments.

Clinton-Macomb Public Library

Management's Discussion and Analysis

Financial Highlights (continued)

The following table shows the current year's changes in net position compared to the prior year.

Condensed Statements of Activities

	November 30	
	2017	2016
Revenues		
Property taxes	\$ 7,297,327	\$ 7,243,806
Other revenues	964,969	764,037
Total revenues	<u>8,262,296</u>	<u>8,007,843</u>
Expenses		
Salaries and employee benefits	3,172,301	3,051,145
Other expenditures	1,690,272	1,798,195
Depreciation	1,558,601	1,499,497
Interest	509,145	648,528
Total expenses	<u>6,930,319</u>	<u>6,997,365</u>
Change in net position	1,331,977	1,010,478
Net position		
Net position at beginning of year	2,738,184	1,727,706
Net position at end of year	<u>\$ 4,070,161</u>	<u>\$ 2,738,184</u>

The Library's total revenue increased by approximately \$254,000 during the current year. The increase, which represents approximately 3%, relates to strengthening property tax valuations and other revenue. Total expenses decreased by approximately \$67,000 during the year, primarily related to interest expenses on debt and other various expense categories.

Fund Financial Statements

The Library has two funds, the general fund, which accounts for all of the day to day operations and any capital and maintenance activities and the debt service fund, which accumulates resources to pay the Library's debt.

Operations of the general fund and debt service fund are financed by revenue from local property taxes, fines and fees, state aid, and other resources.

Clinton-Macomb Public Library

Management's Discussion and Analysis

Fund Financial Statements (continued)

The most significant expenditures of the general fund are personnel and related expenditures, library materials and programs, and maintenance expenditures. The most significant expenditures of the debt service fund are the payment of principal and interest on the Library's bond debt.

A portion of the general fund's fund balance has been assigned by the Library Board for future use. A total of approximately \$2,312,000 has been assigned for various uses.

Budgetary Highlights

Property tax revenue favorably exceeded the final amended budget by approximately \$5,400. Total revenue from all sources was favorably over the final amended budget by approximately \$128,000.

Total general fund expenditures were favorably under the final amended budget by approximately \$81,000. The overall change in fund balance was better than the amount budgeted by approximately \$211,000.

The original budget was amended throughout the year.

Capital Asset and Debt Administration

During 2017, the Library accumulated additions to capital assets in the amount of approximately \$1,236,000 for collection materials and certain capital improvements.

Economic Factors and Next Year's Budget

In August of 2014, residents of the Library's legal service area approved a supplemental .39 mil tax increase to sustain the Library's operations for the next 8 years. This is continuing to allow the Library to:

- Eliminate the structural deficit/use of fund balance and sustain the Library's level of service.
- Increase staffing levels to better meet the community's needs.
- Significantly increase the budget for materials to a per capita funding rate in line with similar sized libraries in the state.
- Continue to catch up on the deferral of capital replacements for technology and facilities maintenance.
- Continue restoring the fund balance to ensure sufficient funding for future capital replacements.

Clinton-Macomb Public Library

Management's Discussion and Analysis

Economic Factors and Next Year's Budget (continued)

While the additional funding has significantly strengthened the Library's financial position, the Library's Board of Trustees remains very mindful of maintaining a sustainable operation free of legacy costs and properly protecting and maintaining the public's investment in technology and facilities.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, patrons, and donors with a general overview of the Library's finances and to show the Library's accountability for the public's resources. If there are questions about this report or additional information is needed, please contact the Library Director at 40900 Romeo Plank Road, Clinton Township, Michigan 48038, or visit the Library's website at www.cmpl.org.

Clinton-Macomb Public Library

Balance Sheet/Statement of Net Position

November 30, 2017

Governmental Funds – Modified Accrual Basis					
	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets					
Cash and cash equivalents	\$ 3,707,740	\$ -	\$ 3,707,740	\$ -	\$ 3,707,740
Prepaid expenses	30,630	-	30,630	-	30,630
Capital assets, net of accumulated depreciation	-	-	-	16,656,695	16,656,695
Total assets	\$ 3,738,370	\$ -	\$ 3,738,370	16,656,695	20,395,065
Deferred outflow of resources					
Deferred amount on refunding	\$ -	\$ -	\$ -	-	-
Liabilities					
Accounts payable	\$ 15,907	\$ -	\$ 15,907	-	15,907
Accrued wages	83,621	-	83,621	-	83,621
Accrued payroll taxes	13,131	-	13,131	-	13,131
Pension contribution payable	3,245	-	3,245	-	3,245
Other liabilities	18,047	-	18,047	-	18,047
Accrued interest payable	-	-	-	96,894	96,894
Bonds payable, due within one year	-	-	-	975,000	975,000
Bonds payable, due after one year	-	-	-	14,912,081	14,912,081
Compensated absences	-	-	-	206,978	206,978
Total liabilities	133,951	-	133,951	16,190,953	16,324,904
Fund balances and net position					
Fund balances:					
Nonspendable	30,630	-	30,630	(30,630)	-
Assigned – Note 9	2,311,978	-	2,311,978	(2,311,978)	-
Unassigned	1,261,811	-	1,261,811	(1,261,811)	-
Total fund balances	3,604,419	-	3,604,419	(3,604,419)	-
Total liabilities and fund balances	\$ 3,738,370	\$ -	\$ 3,738,370		
Net position:					
Invested in capital assets, net of related debt				769,614	769,614
Unrestricted				3,300,547	3,300,547
Total net position				\$ 4,070,161	\$ 4,070,161

Clinton-Macomb Public Library

Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities

Year Ended November 30, 2017

	Governmental Funds – Modified Accrual Basis				Statement of Activities
	General Fund	Fund	Total	Adjustments	
Revenues					
Property taxes	\$ 7,297,327	\$ -	\$ 7,297,327	\$ -	\$ 7,297,327
Intergovernmental – State aid	111,087	-	111,087	-	111,087
Intergovernmental – County	154,241	-	154,241	-	154,241
Penal fines	136,485	-	136,485	-	136,485
Library fines and fees	89,024	-	89,024	-	89,024
Rental income	99,995	-	99,995	-	99,995
Interest	13,090	-	13,090	-	13,090
Contributions and donations	99,891	-	99,891	-	99,891
Miscellaneous	261,156	-	261,156	-	261,156
Total revenues	8,262,296	-	8,262,296	-	8,262,296
Expenditures					
General government:					
Salaries and wages	2,631,297	-	2,631,297	10,866	2,642,163
Employee benefits	530,138	-	530,138	-	530,138
Operating supplies	75,778	-	75,778	-	75,778
Voice and data services	87,867	-	87,867	-	87,867
Services for the blind	155,617	-	155,617	-	155,617
Miscellaneous	24,245	-	24,245	-	24,245
Property tax refunds	6,728	-	6,728	-	6,728
Insurance	51,930	-	51,930	-	51,930
Contract maintenance	82,557	-	82,557	-	82,557
Facilities maintenance	329,426	-	329,426	-	329,426
Utilities	201,378	-	201,378	-	201,378
Property taxes – North Branch	11,833	-	11,833	-	11,833
Programs	75,854	-	75,854	-	75,854
Periodicals	21,629	-	21,629	-	21,629
Electronic subscriptions	271,983	-	271,983	-	271,983
Conferences, workshops, and travel	36,008	-	36,008	-	36,008
Professional fees	180,935	-	180,935	-	180,935
Publicity	52,487	-	52,487	-	52,487
Capital outlay:					
Library books and materials	686,029	-	686,029	(686,029)	-
Equipment	573,960	-	573,960	(549,943)	24,017
Depreciation and loss on disposal	-	-	-	1,558,601	1,558,601
Debt service:					
Principal	-	930,000	930,000	(930,000)	-
Interest and fiscal charges	-	595,957	595,957	(86,812)	509,145
Total expenditures	6,087,679	1,525,957	7,613,636	(683,317)	6,930,319
Excess (deficiency) of revenues over expenditures / change in net position	2,174,617	(1,525,957)	648,660	683,317	1,331,977
Other financing sources (uses):					
Transfers in	-	1,525,957	1,525,957	(1,525,957)	-
Transfers out	(1,525,957)	-	(1,525,957)	1,525,957	-
Total other financing sources (uses)	(1,525,957)	1,525,957	-	-	-
Change in fund balance/change in net position	648,660	-	648,660	683,317	1,331,977
Fund balance/net position at beginning of year	2,955,759	-	2,955,759	(217,575)	2,738,184
Fund balance/net position at end of year	\$ 3,604,419	\$ -	\$ 3,604,419	\$ 465,742	\$ 4,070,161

Clinton-Macomb Public Library

Notes to the Basic Financial Statements

November 30, 2017

1. Summary of Significant Accounting Policies

Introduction

The Clinton-Macomb Public Library (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 (Library Board). 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. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and 34*.

Based upon the application of those criteria, the government-wide financial statements of the Library contain all the funds controlled by the Library Board 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 and 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

November 30, 2017

1. Summary of Significant Accounting Policies (continued)

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position 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 position includes and recognizes all long-term assets and receivables, as well as long-term debt and obligations. The Library's net position is reported in three components – invested in capital assets, net of related debt; restricted; and unrestricted net position.

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

November 30, 2017

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 restricted 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.

Prepaid Expenses

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

November 30, 2017

1. Summary of Significant Accounting Policies (continued)

Deferred Outflow of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Library did not have deferred outflows of resources relating to refunding of debt as of November 30, 2017.

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 position. 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, fund balance is presented in five possible categories:

Nonspendable – amounts which cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted – amounts constrained to specific purposes by their providers (such as creditors, grantors, and higher levels of government), through constitutional provisions, or by enabling legislations.

Committed – amounts which are subject to limitations the Library imposes upon itself through official actions made by the Library Board, and that remain binding unless removed in the same manner.

Clinton-Macomb Public Library

Notes to the Basic Financial Statements

November 30, 2017

1. Summary of Significant Accounting Policies (continued)

Fund Equity (continued)

Assigned – amounts neither restricted nor committed for which the Library has a stated intended use as established by the Library Board or an official to which the Library Board has delegated the authority to assign amounts for specific purposes. The Library Board has delegated this authority to the Library Director.

Unassigned – amounts that are available for any purpose.

The Library would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

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 or credit union, which is a member of the Federal Deposit Insurance Corporation or National Credit Union Administration, respectively. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

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.

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.

Clinton-Macomb Public Library

Notes to the Basic Financial Statements

November 30, 2017

2. Deposits and Investments (continued)

Custodial Credit Risk of Bank Deposits (continued)

As of November 30, 2017, the Library had 12 depository accounts at six financial institutions in the State of Michigan. The book value of the Library's bank deposits, consisting of one non-interest bearing checking account, three interest bearing negotiable order of withdrawal accounts, two CDARS accounts, one savings account, two certificates of deposit, one insured cash sweep account, and two interest bearing money market accounts was \$3,707,740. The custodial credit risk related to these depository accounts as of November 30, 2017 is summarized in the following table:

<u>Depository Accounts</u>	<u>Bank Balance</u>
Insured	\$ 3,402,367
Uninsured and uncollateralized	401,903
Total	<u>\$ 3,804,270</u>

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.

Clinton-Macomb Public Library

Notes to the Basic Financial Statements

November 30, 2017

2. Deposits and Investments (continued)

Credit Risk (continued)

- Mutual funds registered under the Investment Company Act of 1940, maintaining 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.

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.

Clinton-Macomb Public Library

Notes to the Basic Financial Statements

November 30, 2017

3. Capital Assets

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

	Balance 12/1/2016	Additions	Disposals	Balance 11/30/2017
Capital assets not being depreciated:				
Land	\$ 930,173	\$ -	\$ -	\$ 930,173
Construction in progress	-	24,292	-	24,292
Total assets not being depreciated	930,173	24,292	-	954,465
Capital assets being depreciated:				
Land improvements	1,441,077	-	-	1,441,077
Buildings and improvements	20,318,817	127,527	(5,978)	20,440,366
Leasehold improvements	1,094,895	-	-	1,094,895
Furniture and fixtures	2,697,448	32,447	-	2,729,895
Equipment	2,738,063	365,677	(55,867)	3,047,873
Library books and materials	2,537,864	686,029	(387,084)	2,836,809
Total capital assets being depreciated	30,828,164	1,211,680	(448,929)	31,590,915
Accumulated depreciation	(14,779,013)	(1,556,410)	446,738	(15,888,685)
Net capital assets being depreciated	16,049,151	(344,730)	(2,191)	15,702,230
Total net capital assets	<u>\$ 16,979,324</u>	<u>\$ (320,438)</u>	<u>\$ (2,191)</u>	<u>\$ 16,656,695</u>

Clinton-Macomb Public Library

Notes to the Basic Financial Statements

November 30, 2017

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.

Bonds payable as of November 30, 2017 are comprised of the following issues:

2016 Refunding Bonds (Limited Tax General Obligation) dated February 29, 2016, due in annual installments of principal (beginning April 1, 2018) ranging from \$675,000 to \$1,000,000 plus accrued interest ranging from 4.00% to 5.00% through April 1, 2027. The amount includes the unamortized premium of \$987,081.	\$ 9,432,081
2013 Building and Site Bonds, Series 2013A (Limited Tax General Obligation) dated May 29, 2013, due in annual installments of principal ranging from \$75,000 to \$325,000 plus accrued interest ranging from 3.00% to 3.65% through April 1, 2037.	4,085,000
2013 Building and Site Bonds, Series 2013B taxable (Limited Tax General Obligation) dated May 29, 2013, due in annual installments of principal ranging from \$25,000 to \$100,000 plus accrued interest ranging from 3.00% to 4.75% through April 1, 2037.	1,370,000
2011 Building and Site Bonds (Limited Tax General Obligation) dated May 10, 2011, due in annual installments of principal ranging from \$20,000 to \$325,000 plus accrued interest at 5.39% through April 1, 2021.	1,000,000
Total bonds payable	<u>\$ 15,887,081</u>

Clinton-Macomb Public Library

Notes to the Basic Financial Statements

November 30, 2017

4. Long-Term Debt (continued)

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

Fiscal Year Ending	Principal	Interest	Total
2018	\$ 975,000	\$ 561,271	\$ 1,536,271
2019	1,160,000	517,266	1,677,266
2020	1,220,000	468,179	1,688,179
2021	1,280,000	412,496	1,692,496
2022	1,050,000	362,800	1,412,800
2023-2027	5,790,000	1,196,156	6,986,156
2028-2032	1,475,000	507,281	1,982,281
2033-2037	1,950,000	195,606	2,145,606
Total requirements	14,900,000	4,221,055	19,121,055
Unamortized premium	987,081	-	987,081
Total	\$ 15,887,081	\$ 4,221,055	\$ 20,108,136

Interest expenditures for all long-term debt for the year ended November 30, 2017 totaled \$595,957.

The following is a summary of governmental long-term obligations of the Library for the year ended November 30, 2017:

	Compensated Absences	Bonds	Total
Balance – December 1, 2016	\$ 196,112	\$ 16,923,793	\$ 17,119,905
Additions	10,866	-	10,866
Retirements	-	(930,000)	(930,000)
Amortization on bond premium	-	(106,712)	(106,712)
Balance – November 30, 2017	206,978	15,887,081	16,094,059
Less: current portion	-	(975,000)	(975,000)
Total due after one year	\$ 206,978	\$ 14,912,081	\$ 15,119,059

Clinton-Macomb Public Library

Notes to the Basic Financial Statements

November 30, 2017

5. Retirement Programs

Defined Contribution Plan

The Library provides pension benefits through a money purchase plan, created in accordance with IRC Section 401(a), to eligible employees. AXA administers the plan, and the Library's Board of Trustees has authority over the plan provisions and contribution requirements. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the plan, the Library contributes 5% of annual compensation, which resulted in contributions of \$95,337 in 2017. Employees are fully vested in the plan after five years of service. No amounts were forfeited during the year.

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 assets of the plan are insulated from the unit of government's general creditors. The Library's plan administrator, AXA, 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.

6. 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 2016 ad valorem tax is levied and collectible on December 1, 2016 and is recognized as revenue in the year ended November 30, 2017, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2016 taxable valuation of the Library District totaled \$5.700 billion, on which ad valorem taxes levied consisted of 1.2742 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

November 30, 2017

7. 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.

Clinton-Macomb Public Library

Notes to the Basic Financial Statements

November 30, 2017

7. Stewardship, Compliance, and Accountability (continued)

Excess Expenditures over Appropriations in Budgeted 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.

During the year ended November 30, 2017, the Library incurred expenditures in excess of the amounts appropriated as follows:

Budget Item	Budget Appropriation	Actual Expenditure	Variance
General Government			
Employee benefits	\$ 520,200	\$ 530,138	\$ 9,938
Voice and data services	87,522	87,867	345
Services for the blind	150,100	155,617	5,517
Contract maintenance	79,497	82,557	3,060
Facilities maintenance	308,952	329,426	20,474
Programs	75,813	75,854	41
Electronic subscriptions	264,200	271,983	7,783
Conferences, workshops, and travel	31,532	36,008	4,476
Library books and materials	679,528	686,029	6,501
Equipment	542,105	573,960	31,855

8. 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.

Clinton-Macomb Public Library

Notes to the Basic Financial Statements

November 30, 2017

9. Assigned Fund Balance

The Library Board has the authority to assign a portion of the unassigned fund balance for specified purposes. The following is a summary of those assignments that the Library Board has adopted as of November 30, 2017:

<u>Purpose</u>	<u>Amount</u>
Facilities maintenance	\$ 1,000,000
Technology replacement	1,000,000
Compensated absences	206,978
Short-term disability	25,000
Unemployment compensation	80,000
	<u>\$ 2,311,978</u>

Clinton-Macomb Public Library

Notes to the Basic Financial Statements

November 30, 2017

10. 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 position and changes in net position of the governmental activities reported in the statement of net position and statement of activities. This difference primarily results from the long-term economic focus of the statement of net position 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 position and the net change in fund balance to the net change in net position:

Total Fund Balance – Modified Accrual Basis	\$ 3,604,419
Amounts reported in the statement of net position are different because:	
Capital assets are not financial resources and are not reported in the funds	16,656,695
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(15,887,081)
Interest payments on long-term liabilities are not due and payable in the current period and are not reported in the funds	(96,894)
Compensated absences are not due and payable in the current period and are not reported in the funds	(206,978)
Net Position – Full Accrual Basis	<u>\$ 4,070,161</u>
Net Change in Fund Balance – Modified Accrual Basis	\$ 648,660
Amounts reported in the statement of activities are different because:	
Capital outlays are reported as expenditures in the statement of revenues, expenditures, and changes in fund balance; in the statement of activities these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	1,235,972
Depreciation	(1,558,601)
Amortization of the deferred charge on the refunding bonds is recorded in the statement of activities but not in the governmental funds	(24,765)
Change in the accrual for long-term compensated absences reported in the statement of activities but not in the governmental funds	(10,866)
Change in accrued interest is reported in the statement of activities but not in the governmental funds	4,865
Amortization of the net premium on 2016 refunding is netted with bond issuance costs and reported as a reduction of interest expense in the statement of activities but not in the governmental funds	106,712
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)	930,000
Net Change in Net Position – Full Accrual Basis	<u>\$ 1,331,977</u>

Clinton-Macomb Public Library

Notes to the Basic Financial Statements

November 30, 2017

11. Tax Abatements

The Library is subject to tax abatements granted by Macomb Township and Clinton Township through the Industrial Facilities Tax (IFT), Michigan Renaissance Zone, and Payment in Lieu of Taxes (PILOT) programs.

Under the Industrial Facilities Tax exemption program, eligible manufacturers can apply for an Industrial Facilities Exemption (IFE) certificate under Public Act 198 of 1974 to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. An IFE certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the local unit of government, in this case Clinton Township or Macomb Township. Applications are filed, reviewed and approved by the local unit of government, but are also subject to review at the State level by the Property Services Division and the Michigan Economic Development Corporation. The State Tax Commission is ultimately responsible for final approval and issuance of certificates.

Under the Michigan Renaissance Zone program, an individual who is a resident of a designated renaissance zone or a business that is located and conducts business activity within a designated renaissance zone shall receive a tax exemption, deduction, or credit under the Michigan Renaissance Zone Act 376 of 1996.

Under the Payment in Lieu of Taxes program, eligible senior citizen or disabled living facilities with at least 8 or more residential units may apply for property tax exemption under Michigan Compiled Laws Section 211.7d. Under this program, the State of Michigan reimburses the local municipality for a portion of the abated taxes under the PILOT program. Applications are filed, reviewed and approved by Clinton Township, but are also subject to review at the State level by the Department of Treasury, Office of Accounting Services.

Information relevant to these abatements for the year ended November 30, 2017 is as follows:

Tax Abatement Program	Amount Abated
Industrial Facilities Tax (Macomb)	\$ 6,274
Industrial Facilities Tax (Clinton)	12,614
Michigan Renaissance Zone (Macomb)	3,728
Michigan Renaissance Zone (Clinton)	9,763
Payment in Lieu of Taxes (Clinton)	2,662

The amount received by Clinton Township under the PILOT program in lieu of property taxes from the State of Michigan was immaterial.

Required Supplementary Information

Clinton-Macomb Public Library

Budgetary Comparison Schedule – General Fund

Year Ended November 30, 2017

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 7,281,200	\$ 7,291,940	\$ 7,297,327	\$ 5,387
Intergovernmental – State aid	111,300	111,087	111,087	-
Intergovernmental – County	150,100	152,841	154,241	1,400
Penal fines	120,000	136,485	136,485	-
Library fines and fees	125,000	84,301	89,024	4,723
Rental income	62,100	100,112	99,995	(117)
Interest	5,000	11,868	13,090	1,222
Contributions and donations	84,000	99,521	99,891	370
Miscellaneous	73,000	145,823	261,156	115,333
Total revenues	8,011,700	8,133,978	8,262,296	128,318
Expenditures				
General government:				
Salaries and wages	2,671,400	2,671,400	2,631,297	40,103
Employee benefits	590,200	520,200	530,138	(9,938)
Operating supplies	104,600	83,519	75,778	7,741
Voice and data services	89,900	87,522	87,867	(345)
Services for the blind	150,100	150,100	155,617	(5,517)
Miscellaneous	24,600	24,462	24,245	217
Property tax refunds	10,000	8,668	6,728	1,940
Insurance	56,800	56,800	51,930	4,870
Contract maintenance	75,600	79,497	82,557	(3,060)
Facilities maintenance	419,300	308,952	329,426	(20,474)
Utilities	284,200	281,085	201,378	79,707
Property taxes – North Branch	13,000	11,833	11,833	-
Programs	58,800	75,813	75,854	(41)
Periodicals	26,500	26,500	21,629	4,871
Electronic subscriptions	264,200	264,200	271,983	(7,783)
Conferences, workshops, and travel	28,400	31,532	36,008	(4,476)
Professional fees	199,500	197,480	180,935	16,545
Publicity	79,500	67,441	52,487	14,954
Total general government	5,146,600	4,947,004	4,827,690	119,314
Capital outlay:				
Library books and materials	709,300	679,528	686,029	(6,501)
Equipment	532,500	542,105	573,960	(31,855)
Total capital outlay	1,241,800	1,221,633	1,259,989	(38,356)
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total debt service	-	-	-	-
Total expenditures	6,388,400	6,168,637	6,087,679	80,958
Excess (deficiency) of revenues over expenditures	1,623,300	1,965,341	2,174,617	209,276
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(1,293,929)	(1,527,456)	(1,525,957)	1,499
Total other financing sources (uses)	(1,293,929)	(1,527,456)	(1,525,957)	1,499
Change in fund balance	329,371	437,885	648,660	210,775
Fund balance at beginning of year	2,955,759	2,955,759	2,955,759	-
Fund balance at end of year	\$ 3,285,130	\$ 3,393,644	\$ 3,604,419	\$ 210,775

Clinton-Macomb Public Library

Budgetary Comparison Schedule – Debt Service Fund

Year Ended November 30, 2017

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental – State aid	-	-	-	-
Intergovernmental – County	-	-	-	-
Penal fines	-	-	-	-
Library fines and fees	-	-	-	-
Rental income	-	-	-	-
Interest	-	-	-	-
Contributions and donations	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	-	-	-
Expenditures				
General government:				
Salaries and wages	-	-	-	-
Employee benefits	-	-	-	-
Operating supplies	-	-	-	-
Voice and data services	-	-	-	-
Services for the blind	-	-	-	-
Miscellaneous	-	-	-	-
Property tax refunds	-	-	-	-
Insurance	-	-	-	-
Contract maintenance	-	-	-	-
Facilities maintenance	-	-	-	-
Utilities	-	-	-	-
Property taxes – North Branch	-	-	-	-
Programs	-	-	-	-
Periodicals	-	-	-	-
Electronic subscriptions	-	-	-	-
Conferences, workshops, and travel	-	-	-	-
Professional fees	-	-	-	-
Publicity	-	-	-	-
Total general government	-	-	-	-
Capital outlay:				
Library books and materials	-	-	-	-
Equipment	-	-	-	-
Total capital outlay	-	-	-	-
Debt service:				
Principal	310,000	930,000	930,000	-
Interest and fiscal charges	988,300	597,456	595,957	1,499
Total debt service	1,298,300	1,527,456	1,525,957	1,499
Total expenditures	1,298,300	1,527,456	1,525,957	1,499
Excess (deficiency) of revenues over expenditures	(1,298,300)	(1,527,456)	(1,525,957)	1,499
Other financing sources (uses):				
Transfers in	1,293,929	1,527,456	1,525,957	(1,499)
Transfers out	-	-	-	-
Total other financing sources (uses)	1,293,929	1,527,456	1,525,957	(1,499)
Change in fund balance	(4,371)	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ (4,371)	\$ -	\$ -	\$ -