

Salem-South Lyon District Library

**Financial Report
with Supplemental Information
June 30, 2017**

Salem-South Lyon District Library

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements	
Statement of Net Position/Governmental Funds Balance Sheet	7
Statement of Activities/Governmental Funds Revenue, Expenditures, and Changes in Fund Balance	8
Notes to Financial Statements	9-17
Required Supplemental Information	18
Budgetary Comparison Schedule - General Fund	19
Note to Required Supplemental Information	20

Independent Auditor's Report

To the Board of Directors
Salem-South Lyon District Library

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Salem-South Lyon District Library (the "Library") as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise Salem-South Lyon District 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.

Auditor's Responsibility

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

To the Board of Directors
Salem-South Lyon District Library

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Salem-South Lyon District Library as of June 30, 2017 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the major fund budgetary comparison schedule 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, which 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 supplemental 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.

Plante & Moran, PLLC

October 5, 2017

Salem-South Lyon District Library

Management's Discussion and Analysis

Our discussion and analysis of Salem-South Lyon District Library's (the "Library") financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the Library's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2017:

- Penal fine revenue totaled \$56,141 with a breakdown as follows: \$23,958 from Oakland County, Michigan \$9,213 from Washtenaw County, Michigan, and \$22,970 from Livingston County, Michigan.
- Fine payments from customers declined by \$461 from last year to \$23,048.
- Gifts and grant income totaled \$29,501. This amount included solicitation letter donations of \$9,510 for the Library, gifts from the Friends of the Library totaling \$9,475, True Gift income of \$2,528, and grants of \$3,601.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Library's operations in more detail than the government-wide financial statements by providing information about the Library's most significant funds.

Salem-South Lyon District Library

Management's Discussion and Analysis (Continued)

Governmental Activities

The following table shows, in a condensed format, the current year's net position and changes in net position, compared to the prior year:

	2016	2017	Change	Percent Change
Revenue				
Property taxes	\$ 1,269,492	\$ 1,072,593	\$ (196,899)	-16%
Service contract	275,156	300,683	25,527	9%
Other revenue	<u>186,477</u>	<u>168,523</u>	<u>(17,954)</u>	-10%
Total revenue	1,731,125	1,541,799	(189,326)	-11%
Expenses				
Personnel	822,616	847,781	25,165	3%
Library services and materials	120,675	113,091	(7,584)	-6%
Facilities and equipment	123,391	108,274	(15,117)	-12%
Other operating expenses	90,890	90,243	(647)	-1%
Debt service	9,010	-	(9,010)	-100%
Depreciation	<u>321,192</u>	<u>318,130</u>	<u>(3,062)</u>	-1%
Total expenses	1,487,774	1,477,519	(10,255)	-1%
Loss on Disposal of Assets	<u>(5,956)</u>	<u>-</u>	<u>5,956</u>	
Change in Net Position	<u>\$ 237,395</u>	<u>\$ 64,280</u>	<u>\$ (173,115)</u>	-73%
	2016	2017	Change	Percent Change
Assets				
Other assets	\$ 905,050	\$ 1,044,603	\$ 139,553	15%
Capital assets	<u>3,214,861</u>	<u>3,166,168</u>	<u>(48,693)</u>	-2%
Total assets	4,119,911	4,210,771	90,860	2%
Liabilities				
Current liabilities	79,374	106,266	26,892	34%
Long-term liabilities	<u>2,778</u>	<u>2,466</u>	<u>(312)</u>	-11%
Total liabilities	<u>82,152</u>	<u>108,732</u>	<u>26,580</u>	32%
Net Position				
Net investment in capital assets	3,214,861	3,166,168	(48,693)	-2%
Restricted	-	-	-	
Unrestricted	<u>822,898</u>	<u>935,871</u>	<u>112,973</u>	14%
Total net position	<u>\$ 4,037,759</u>	<u>\$ 4,102,039</u>	<u>\$ 64,280</u>	2%

Salem-South Lyon District Library

Management's Discussion and Analysis (Continued)

The governmental net position increased 2 percent from a year ago - increasing from \$4,037,759 to \$4,102,039.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, increased by \$112,973 for the governmental activities. The increase was due to investments made in capital assets and represents an increase of approximately 14 percent. The current level of unrestricted net position for our activities stands at \$935,871 or about 63 percent of expenditures.

Salem-South Lyon District Library's total governmental revenue decreased by \$189,326, or approximately 11 percent. The Library's debt millage expired in the prior fiscal year and contributed to this decrease.

Expenses decreased by approximately \$10,000 during the year.

Salem-South Lyon District Library's Funds

The Library maintains two funds, the General Fund and the Capital Projects Fund. The Capital Projects Fund accounts for all capital related projects at the Library. Salem-South Lyon District Library's General Fund accounts for all other operations of the Library.

The most significant expenditure of the Library is personnel salary and wages, which totaled \$849,855. This represents an increase of \$17,708 from 2016. The other significant components are the costs of maintaining the Library's physical facilities, as well as the purchase of new books, periodicals, and other materials. The facilities and equipment expenditures totaled \$126,544. The purchase of downloadable materials for the community totaled \$30,823 and physical materials for the Library totaled \$98,308. Membership in The Library Network expands customer access to 4,000,000 copies, conveniently delivered to the Library. Library customers also enjoy access to the Library's 24/7 digital collections, including the following:

- MCLS Overdrive catalog for eBooks and downloadable audiobooks over 20,000 titles
- Odilo digital books
- Zinio digital magazines for unlimited and simultaneous access to over 200 magazine titles
- Databases including Consumer Reports Online, Tumble Books Digital Picture Books for Kids, and MeL Databases.
- Ancestry Library Edition, Foundation Center, Reference USA, Historic Newspapers/Detroit Free Press

General Fund Budgetary Highlights

The Library made minimal amendments to the budget to take into account events during the year. Library departments overall stayed below budget.

Salem-South Lyon District Library

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

At the end of 2017, the Library had \$3.2 million invested in a broad range of capital assets, including the building, furniture, fixtures, computers, and the collection.

Economic Factors and Next Year's Budget

The Library will continue to closely monitor expenditures and continue fundraising efforts as a means of improving the Library's net position.

Contacting Salem-South Lyon District 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 money it receives. If you have questions about this report or need additional information, we welcome you to contact the Library.

Salem-South Lyon District Library

Statement of Net Position/Governmental Funds Balance Sheet June 30, 2017

	Modified Accrual Basis			Adjustments (Note 2)	Statement of Net Position
	General Fund	Capital Projects Fund	Total		
Assets					
Cash and cash equivalents	\$ 767,118	\$ 274,770	\$ 1,041,888	\$ -	\$ 1,041,888
Prepaid expenses and other assets	2,715	-	2,715	-	2,715
Capital assets:					
Assets not subject to depreciation	-	-	-	160,910	160,910
Assets subject to depreciation	-	-	-	3,005,258	3,005,258
Total assets	\$ 769,833	\$ 274,770	\$ 1,044,603	3,166,168	4,210,771
Liabilities					
Accounts payable	\$ 17,754	\$ 55,925	\$ 73,679	-	73,679
Accrued liabilities and other:					
Accrued salaries and wages	12,044	-	12,044	-	12,044
Payroll taxes and withholdings	5,521	-	5,521	-	5,521
Provision for property tax refunds	1,048	-	1,048	-	1,048
Noncurrent liabilities - Due within one year:					
Compensated absences	-	-	-	13,974	13,974
Due in more than one year - Compensated absences	-	-	-	2,466	2,466
Total liabilities	36,367	55,925	92,292	16,440	108,732
Equity					
Fund balance:					
Nonspendable - Prepays	2,646	-	2,646	(2,646)	-
Restricted	-	-	-	-	-
Assigned (Note 7)	64,029	218,845	282,874	(282,874)	-
Unassigned	666,791	-	666,791	(666,791)	-
Total fund balance	733,466	218,845	952,311	(952,311)	-
Total liabilities and fund balance	\$ 769,833	\$ 274,770	\$ 1,044,603		
Net position:					
Net investment in capital assets				3,166,168	3,166,168
Unrestricted				935,871	935,871
Total net position				\$ 4,102,039	\$ 4,102,039

Salem-South Lyon District Library

Statement of Activities/Governmental Funds Revenue, Expenditures, and Changes in Fund Balance Year Ended June 30, 2017

	General Fund	Capital Projects Fund	Total	Adjustments (Note 2)	Statement of Net Position
Revenue					
Property taxes	\$ 1,072,593	\$ -	\$ 1,072,593	\$ -	\$ 1,072,593
Charges for services	300,683	-	300,683	-	300,683
Fines and fees	82,439	-	82,439	-	82,439
Grant revenue	3,601	-	3,601	-	3,601
State aid	12,966	-	12,966	-	12,966
Miscellaneous revenue	41,018	-	41,018	-	41,018
Contributions	25,900	-	25,900	-	25,900
Investment earnings	2,599	-	2,599	-	2,599
Total revenue	1,541,799	-	1,541,799	-	1,541,799
Expenditures/Expenses					
Personnel expenditures	849,855	-	849,855	(2,074)	847,781
Library services and materials	236,925	-	236,925	(123,834)	113,091
Facilities and equipment	126,544	127,333	253,877	(145,603)	108,274
Depreciation	-	-	-	318,130	318,130
Other operating expenditures	90,243	-	90,243	-	90,243
Total expenditures/expenses	1,303,567	127,333	1,430,900	46,619	1,477,519
Excess of Revenue Over (Under) Expenditures/Expenses	238,232	(127,333)	110,899	(46,619)	64,280
Other Financing (Uses) Sources -					
Interfund transfers (out) in	(213,564)	213,564	-	-	-
Net Change in Fund Balances/Net Position	24,668	86,231	110,899	(46,619)	64,280
Fund Balances/Net Position - Beginning of year	708,798	132,614	841,412	3,196,347	4,037,759
Fund Balances/Net Position - End of year	\$ 733,466	\$ 218,845	\$ 952,311	\$ 3,149,728	\$ 4,102,039

The Notes to Financial Statements are an
Integral Part of this Statement.

Salem-South Lyon District Library

Notes to Financial Statements June 30, 2017

Note I - Summary of Significant Accounting Policies

The accounting policies of Salem-South Lyon District Library (the "Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Salem-South Lyon District Library:

Reporting Entity

Salem-South Lyon District Library is governed by an elected seven-member board. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting unit. Based on these criteria, there are no component units of the Library that are to be included in the reporting entity.

Accounting and Reporting Principles

The Library follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Government Accounting Standards Board.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The individual fund columns present their activities on the modified accrual basis of accounting, as discussed above, which demonstrates accountability for how the current resources have been spent. The government-wide columns are presented on the economic resources measurement focus and the full accrual basis of accounting in order to measure the cost of providing government services and the extent to which constituents have paid the full cost of government services.

On the full 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.

Fund Accounting

The Library accounts for its various activities in the General Fund and Capital Projects Fund in order to demonstrate accountability for how we have spent certain resources - separate funds allow us to show the particular expenditures for which specific revenue was used. The Library reports the following as major governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide the Library's services. General Fund activities are financed by revenue from a general property tax millage, state aid, and other sources.

Salem-South Lyon District Library

Notes to Financial Statements June 30, 2017

Note I - Summary of Significant Accounting Policies (Continued)

- The Capital Projects Fund is used to account for the undertaking of significant capital projects at the Library.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as sick and vacation pay) are not counted until they come due for payment. In addition, claims and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Library considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state aid, state penal fines, property taxes, and interest associated with the current fiscal period.

Specific Balances and Transactions

Cash, Cash Equivalents, and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Inventories and Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, equipment, furniture, and the collection of library books and other materials, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost.

Salem-South Lyon District Library

Notes to Financial Statements June 30, 2017

Note I - Summary of Significant Accounting Policies (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

Capital Asset Class	Lives
Building and improvements	30 years
Equipment, furniture, and fixtures	5-7 years
Library collection	10 years

Deferred Outflows/Inflows 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 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 does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Library does not have any items that qualify for reporting in this category.

Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Salem-South Lyon District Library

Notes to Financial Statements June 30, 2017

Note I - Summary of Significant Accounting Policies (Continued)

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Library board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes, but do not meet the criteria to be classified as committed. The library board has by resolution authorized the library director to assign fund balance. The library board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

Property tax receivables are shown as net of allowance for uncollectible amounts, if deemed necessary. Properties are assessed as of December 31. The related property taxes are billed on July 1 and become a lien on December 1 of the following year. Taxes are due on March 1, at which time penalties and interest are assessed.

The 2016 taxable valuation of the Library totaled approximately \$674 million, on which ad valorem taxes levied consisted of 1.5935 mills for the Library's operating purposes. The ad valorem taxes levied raise approximately \$1,073,000 for operations, which is recognized in the General Fund financial statements as tax revenue. The debt levy has expired as of June 30, 2016.

Compensated Absences (Vacation and Sick Leave) - The Library's PTO policy states salaried and full-time employees will be eligible for paid time off, prorated against the date-of-hire anniversary. The number of days available and maximum accrual are dependent on length of employment. All PTO is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Compensated absences will be liquidated by the General Fund.

Salem-South Lyon District Library

Notes to Financial Statements June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Reconciliation of Individual Fund Columns of the Statement of Net Position/Statement of Activities

The net position reported in the statement of net position column is different than the fund balance reported in the individual fund columns because of the different measurement focus and basis of accounting, as discussed in Note 1. Below is a reconciliation of the differences:

Fund Balance Reported in Governmental Funds	\$ 952,311
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	3,166,168
Employee compensated absences are payable over a period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	<u>(16,440)</u>
Net Position of Governmental Activities	<u>\$ 4,102,039</u>

Salem-South Lyon District Library

Notes to Financial Statements June 30, 2017

Note 2 - Reconciliation of Individual Fund Columns of the Statement of Net Position/Statement of Activities (Continued)

The change in net position reported in the statement of activities column is different than the change in fund balance reported in the individual fund columns because of the different measurement focus and basis of accounting, as discussed in Note 1. Below is a reconciliation of the differences:

Net Change in Fund Balances - Total Governmental Funds \$ 110,899

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	269,437
Depreciation expense	(318,130)

Decrease in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources and therefore, are not reported in the fund statements until they come due for payment

2,074

Change in Net Position of Governmental Activities \$ 64,280

Salem-South Lyon District Library

Notes to Financial Statements June 30, 2017

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Library's deposits and investment policies are in accordance with statutory authority.

The Library's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. At year end, the Library had \$336,406 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. 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.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Library has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Primary Government - Government investment pool	<u>\$ 247,436</u>	AI/PI/FI	S&P

Salem-South Lyon District Library

Notes to Financial Statements June 30, 2017

Note 4 - Capital Assets

Capital asset activity of the Library's governmental activities was as follows:

Governmental Activities	Balance July 1, 2016	Reclassifications	Additions	Disposals	Balance June 30, 2017
Capital assets not being depreciated:					
Land	\$ 152,000	\$ -	\$ -	\$ -	\$ 152,000
Construction in progress	24,813	(24,813)	8,910	-	8,910
Subtotal	176,813	(24,813)	8,910	-	160,910
Capital assets being depreciated:					
Buildings and improvements	4,366,400	24,813	118,423	-	4,509,636
Equipment, furniture, and fixtures	552,569	-	18,270	-	570,839
Books, periodicals, and videos	1,294,071	-	123,834	(172,616)	1,245,289
Subtotal	6,213,040	24,813	260,527	(172,616)	6,325,764
Accumulated depreciation:					
Buildings and improvements	1,889,106	-	152,660	-	2,041,766
Equipment, furniture, and fixtures	456,751	-	40,941	-	497,692
Books, periodicals, and videos	829,135	-	124,529	(172,616)	781,048
Subtotal	3,174,992	-	318,130	(172,616)	3,320,506
Net capital assets being depreciated	3,038,048	24,813	(57,603)	-	3,005,258
Net capital assets	\$ 3,214,861	\$ -	\$ (48,693)	\$ -	\$ 3,166,168

Depreciation expense was \$318,130 for the year ended June 30, 2017.

Note 5 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Library is a member of the Michigan Township Participating Plan for its property and casualty insurance coverage and maintains commercial insurance coverage for workers' compensation and accidental death, dismemberment, and disability liabilities. Beginning in 2016, the Library began offering medical insurance to all full-time staff through third-party commercial insurance coverage. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Salem-South Lyon District Library

Notes to Financial Statements June 30, 2017

Note 6 - Deferred Compensation Plan

The Library provides benefits to all of its employees who work in excess of 20 hours per week on a regularly scheduled basis through a deferred contribution plan. In a deferred contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after three months of employment. As established by the library board, the Library contributes 6.5 percent of employees' gross earnings, and employee contributions for each employee plus interest allocated to the employee's account are fully vested upon admittance to the plan. The library employee and employer contributions to the plan related to the fiscal year ended June 30, 2017 were \$39,656 and \$44,649, respectively.

Note 7 - Fund Balance Constraints

The detail of the assigned fund balance is as follows:

	<u>General Fund</u>
Fund Balances	
Assigned:	
Book and trilogy	\$ 15,896
Brick campaign	30,806
Building	940
Public relations and marketing	2,506
Gifts and grants	13,797
Materials	<u>84</u>
Total assigned	<u>\$ 64,029</u>

The amounts above have been assigned for specific future projects and programs. In addition, the fund balance in the Capital Projects Fund of \$218,845 has been assigned for future capital-related projects.

Required Supplemental Information

Salem-South Lyon District Library

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,074,182	\$ 1,074,182	\$ 1,072,593	\$ (1,589)
Charges for services	270,000	270,000	300,683	30,683
Fines and fees	87,011	87,011	82,439	(4,572)
Grant revenue	35,470	35,470	3,601	(31,869)
State aid	14,025	14,025	12,966	(1,059)
Sale of equipment	2,970	2,970	-	(2,970)
Contributions and miscellaneous revenue	38,127	38,127	66,918	28,791
Investment earnings	2,000	2,000	2,599	599
	<u>1,523,785</u>	<u>1,523,785</u>	<u>1,541,799</u>	<u>18,014</u>
Expenditures				
Personnel expenditures	916,828	916,828	849,855	66,973
Library services and materials	237,220	247,220	236,925	10,295
Facilities and equipment	280,605	260,605	126,544	134,061
Gifts and grants	22,000	22,000	21,160	840
Other operating expenditures	67,132	77,132	69,083	8,049
	<u>1,523,785</u>	<u>1,523,785</u>	<u>1,303,567</u>	<u>220,218</u>
Excess of Revenue Over Expenditures				
	-	-	238,232	238,232
Other Financing Sources				
	-	-	(213,564)	(213,564)
Net Change in Fund Balance				
	-	-	24,668	24,668
Fund Balance - Beginning of year				
	<u>708,798</u>	<u>708,798</u>	<u>708,798</u>	<u>-</u>
Fund Balance - End of year				
	<u>\$ 708,798</u>	<u>\$ 708,798</u>	<u>\$ 733,466</u>	<u>\$ 24,668</u>

Salem-South Lyon District Library

Note to Required Supplemental Information Year Ended June 30, 2017

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year end. Unexpended appropriations lapse at year end. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services are rendered.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the line item level. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. During the current year, the budget was amended in a legally permissible manner.