

HAMBURG TOWNSHIP LIBRARY
Livingston County, Michigan

AUDITED FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2016

HAMBURG TOWNSHIP LIBRARY
For the Year Ended June 30, 2016

Table of Contents

INTRODUCTORY SECTION

Table of Contents

FINANCIAL SECTION

Page

Independent Auditor's Report.....	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements:	
Government Wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet – Governmental Fund.....	10
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities	12
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	13
Notes to Financial Statements	14-21

FINANCIAL SECTION

PSLZ LLP

Certified Public Accountants

PLYMOUTH

1034 WEST ANN ARBOR TRAIL
P.O. BOX 5520
PLYMOUTH, MI 48170-1502
Telephone (734) 453-8770

Dennis M. Siegner, C.P.A., C.V.A.
David R. Williamson, C.P.A.
Jane F. Wang, C.P.A.
Rana M. Emmons, C.P.A.
Jennifer A. Galofaro, C.P.A., C.V.A.
Susan H. Bertram, C.P.A.

BLOOMFIELD HILLS

3707 WEST MAPLE ROAD
SUITE 101
BLOOMFIELD HILLS, MI 48301-3212
Telephone (248) 644-9125

Deborah M. Cox, C.P.A.

Independent Auditor's Report

August 24, 2016

Board of Trustees
Hamburg Township Library
Hamburg, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and the General Fund of the Hamburg Township Library, a component unit of Hamburg Township, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the 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 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 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 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 General Fund of the Hamburg Township Library as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as identified on the table of contents, 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.

Respectfully,

A handwritten signature in black ink, appearing to read "PSLZ LLP", is written in a cursive, stylized font.

PSLZ LLP
Certified Public Accountants

Hamburg Township Library

10411 Merrill Rd. Box 247
Hamburg, MI 48139
810-231-1771

Management's Discussion and Analysis

As management of the Hamburg Township Library, we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of Hamburg Township Library for the fiscal year ended June 30, 2016.

Financial Highlights

- The assets of the Hamburg Township Library exceeded its liabilities at the close of the most recent fiscal year by \$1,713,602 (*net position*). Of this amount, \$1,526,483, which represents cash in the bank, may be used to meet the Library's ongoing obligations to creditors and future Library development of services to the public. (See page 8 for details.)
- As of the close of the current fiscal year, the Hamburg Township Library's governmental fund reported ending fund balance of \$1,530,109, an increase of \$164,892 in comparison with the prior year.
- The Library's total net position increased by \$165,673 from the prior year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Hamburg Township Library's basic financial statements. The Hamburg Township Library's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

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

The *statement of activities* presents information showing how the Library's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and vacation/sick leave earned but unused).

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Hamburg Township Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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

The Hamburg Township Library adopts an annual appropriated budget for its general operating fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. This statement can be found on page 13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-21 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Hamburg Township Library, assets exceeded liabilities by \$1,713,602 at the close of the most recent fiscal year.

Hamburg Township Library's Net Position

	2016	2015
Current and other assets	\$ 1,545,260	\$ 1,397,177
Capital Assets	207,139	207,110
Total Assets	1,752,399	1,604,287
Long-term Liabilities	23,646	24,398
Other Liabilities	15,151	31,960
Total Liabilities	38,797	56,358
Net Position:		
Net Investment in capital assets	207,139	207,110
Restricted	500	500
Unrestricted	1,505,963	1,340,319
Total Net Position	\$ 1,713,602	\$ 1,547,929

Governmental activities. The Hamburg Township Library's net position increased by \$165,673 in fiscal year 2016.

Hamburg Township Library's Changes in Net Position

	2016	2015
Revenues:		
Program Revenues:		
Services (Programs, book fines, copies, misc.)	\$ 13,979	\$ 15,932
Operating Grants and Contributions:		
Penal Fines	85,800	83,976
Public Donations	24,162	7,829
Grants	500	1,250
General Revenues:		
Property Tax Collection	756,293	736,460
State Aid to Libraries	13,840	12,463
Bank Interest	1,838	1,489
Total Revenues	896,412	859,399
Expenses - Library Services	730,739	679,336
Increase (Decrease) in Net Position	165,673	180,063
Net Position, July 1	1,547,929	1,367,866
Net Position, June 30	\$ 1,713,602	\$ 1,547,929

Financial Analysis of the Government's Funds

As noted earlier, the Hamburg Township Library used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Hamburg Township Library's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Hamburg Township Library's financing requirements.

As of the end of the current fiscal year, Hamburg Township Library's general operating fund, reported ending fund balance of \$1,530,109, an increase of \$164,892 in comparison with the prior year. Total fund balance of \$1,530,109 consists of \$11,064 of nonspendable fund balance (prepaid expenses), \$500 restricted fund balance (unspent grants), \$890,692 *assigned fund balance*, and \$627,853 of *unassigned fund balance*. The assigned fund balance represents funds that are assigned by Library Board of Trustee vote for furthering the Library's mission:

- Assigned funds of \$890,692 for future use on the building facility, future programs and services, serenity garden maintenance, and for the long term liability of ongoing vacation/sick time earned but not used.
- The unassigned fund balance amount of \$627,853 represents fund balances that are not constrained in any way or assigned at this time and are available for future general expenditures.

General Fund Budgetary Highlights

The Library Board did not find it necessary to amend their original adopted budget during fiscal year 2016. The fiscal year 2016 budget projected a net increase in fund balance of \$83,287. The actual change in fund balance was an increase of \$164,892, resulting in a favorable overall variance of budget to actual of \$81,605, as detailed on page 13 of this report.

Capital Assets

Hamburg Township Library's investment in capital assets as of June 30, 2016, amounts to \$207,139 (net of accumulated depreciation). This investment in capital assets includes the additions of \$47,042 less depreciation of \$47,013 resulting in a total increase in the Library's investment in capital assets for the current fiscal year of \$29. In accordance with GASB No. 34, the Library's financial statements reflect the capitalization of library collection materials. The collection consists of books, audio, DVD's, and CD's. The net value of \$29,859, which is net of accumulated depreciation, represents the historical cost value and not replacement value of the library's collections.

Hamburg Township Library's Capital Assets

	2016	2015
Buildings and Improvements	\$ 189,234	\$ 169,575
Computer Equipment	140,224	140,224
Library Collection Materials	914,542	888,395
Less: Accumulated Depreciation	(1,036,861)	(991,084)
Capital Assets, Net	\$ 207,139	\$ 207,110

Capitalized assets related to the Township's bond issue voted in 2000 to construct and equip the library building are not reflected on the Hamburg Township Library's financial statements. Rather they are reflected on the primary government's, Hamburg Township's, financial statements. The Library is a component unit of Hamburg Township. As Hamburg Township was the official issuer of the 2000 general obligation bonds, the library collection materials purchased with bond proceeds are reflected on the Township's financial statements.

Additional information on Hamburg Township Library's capital assets can be found in note III.B on page 19 of this report.

Economic Factors and Next Year's Budget – July 1, 2016 to June 30, 2017

- The State-mandated minimum wage increase continues to have an impact on all staff wages.
- The library building is now 15 years old and repairs are becoming necessary. Therefore, the Board assigned funds for building repairs and facility development of \$465,096.
- The new health care requirements as a result of the Affordable Care Act are having a large impact on the staffing budget.

All of these factors were considered in preparing the Hamburg Township Library's budget for the 2016-2017 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Hamburg Township Library's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Library Director, Hamburg Township Library, 10411 Merrill Road, P.O. Box 247, Hamburg, Michigan 48139.

BASIC FINANCIAL STATEMENTS

HAMBURG TOWNSHIP LIBRARY
Statement of Net Position
June 30, 2016

	Governmental Activities
<u>ASSETS</u>	
Cash	\$ 1,526,483
Interest Receivable	747
Due from State	6,966
Prepaid Expenditures	11,064
Capital Assets (net of accumulated depreciation)	207,139
Total Assets	1,752,399
<u>LIABILITIES</u>	
Accounts Payable	5,870
Due to Other Governmental Units	9,281
Noncurrent Liabilities:	
Due within one year	-
Due in more than one year (vacation/sick leave)	23,646
Total Liabilities	38,797
<u>NET POSITION</u>	
Net Investment in Capital Assets	207,139
Restricted	500
Unrestricted	1,505,963
Total Net Position	\$ 1,713,602

HAMBURG TOWNSHIP LIBRARY
Statement of Activities
For the Year Ended June 30, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
Cultural - Library	\$ 730,739	\$ 13,979	\$ 110,462	\$ -	\$ (606,298)

General Revenues:	
Property Taxes	756,293
State Aid to Libraries	13,840
Unrestricted Interest Earnings	1,838
Total General Revenues	771,971
Change in Net Position	165,673
Net Position - Beginning	1,547,929
Net Position - Ending	\$ 1,713,602

HAMBURG TOWNSHIP LIBRARY
Balance Sheet
Governmental Fund
June 30, 2016

	<u>General Fund</u>
<u>ASSETS</u>	
Cash	\$ 1,526,483
Interest Receivable	747
Due from State	6,966
Prepaid Expenditures	<u>11,064</u>
 Total Assets	 <u>\$ 1,545,260</u>
 <u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Accounts Payable	\$ 5,870
Due to Other Governmental Units	<u>9,281</u>
Total Liabilities	<u>15,151</u>
 Fund Balance:	
Nonspendable	11,064
Restricted	500
Assigned	890,692
Unassigned	<u>627,853</u>
Total Fund Balance	1,530,109
 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, therefore, are not reported in the funds.	207,139
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(23,646)</u>
 Net Position of Governmental Activities	 <u>\$ 1,713,602</u>

HAMBURG TOWNSHIP LIBRARY
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2016

	<u>General Fund</u>
<u>Revenues</u>	
Property Taxes Levied	\$ 756,293
State Aid to Libraries	13,840
Penal Fines	85,800
Book Fines	5,623
Charges for Services	6,968
Interest Earned	1,838
Grants	500
Public Donations	24,162
Other	1,388
Total Revenues	<u>896,412</u>
<u>Expenditures</u>	
Current:	
Cultural - Library Operations	684,478
Capital Outlay	47,042
Total Expenditures	<u>731,520</u>
Net Change in Fund Balance	164,892
Fund Balance - Beginning	<u>1,365,217</u>
Fund Balance - Ending	<u>\$ 1,530,109</u>

HAMBURG TOWNSHIP LIBRARY
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

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

Net change in fund balance - total governmental fund	\$	164,892
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
	Capital Outlay	47,042
	Depreciation Expense	(47,013)
Governmental funds report a liability for compensated absences only if they have matured, whereas the change in the total liability from prior year is reported in the Statement of Activities. This amount represents the change in the total liability for compensated absences.		
		<u>752</u>
Change in net position in governmental activities	\$	<u><u>165,673</u></u>

HAMBURG TOWNSHIP LIBRARY
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property Taxes	\$ 716,935	\$ 716,935	\$ 756,293	\$ 39,358
Intergovernmental - State	12,361	12,361	13,840	1,479
Penal Fines	83,100	83,100	85,800	2,700
Book Fines	4,450	4,450	5,623	1,173
Copies & Fax	4,300	4,300	5,674	1,374
Programs	1,000	1,000	1,294	294
Interest Income	850	850	1,838	988
Grants	-	-	500	500
Donations	5,873	5,873	24,162	18,289
Miscellaneous	1,035	1,035	1,388	353
Total Revenues	<u>829,904</u>	<u>829,904</u>	<u>896,412</u>	<u>66,508</u>
Expenditures:				
Salaries & Wages	431,647	431,647	419,245	12,402
Fringe Benefits	101,245	101,245	96,099	5,146
Office Supplies	10,890	10,890	10,943	(53)
Postage	3,419	3,419	3,447	(28)
Custodian/Cleaning	15,788	15,788	13,017	2,771
Secretary	360	360	300	60
Telephone	2,340	2,340	2,376	(36)
Utilities	35,149	35,149	30,748	4,401
Mileage	280	280	383	(103)
Travel	100	100	702	(602)
Workshops	930	930	239	691
Programs	10,886	10,886	9,060	1,826
Books	23,700	23,700	24,091	(391)
Magazines	2,100	2,100	2,426	(326)
Newspapers	1,600	1,600	1,677	(77)
Electronic Subscriptions	6,162	6,162	7,622	(1,460)
Audio	6,175	6,175	7,415	(1,240)
Music	600	600	399	201
Videos	3,700	3,700	4,539	(839)
Dues & Memberships	1,090	1,090	1,089	1
Professional Fees	13,200	13,200	15,963	(2,763)
Printing & Publishing	13,383	13,383	13,253	130
Payroll Service Fees	1,065	1,065	1,207	(142)
Miscellaneous	5,050	5,050	2,669	2,381
Equipment Maintenance	13,809	13,809	13,252	557
Repairs & Maintenance	11,600	11,600	17,151	(5,551)
Landscape Maintenance	4,455	4,455	1,888	2,567
Office Equipment	350	350	873	(523)
Office Furniture	22,544	22,544	24,406	(1,862)
Computer Equipment	3,000	3,000	5,041	(2,041)
Total Expenditures	<u>746,617</u>	<u>746,617</u>	<u>731,520</u>	<u>15,097</u>
Net Change in Fund Balance	83,287	83,287	164,892	81,605
Fund Balance - Beginning	<u>1,365,217</u>	<u>1,365,217</u>	<u>1,365,217</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 1,448,504</u>	<u>\$ 1,448,504</u>	<u>\$ 1,530,109</u>	<u>\$ 81,605</u>

HAMBURG TOWNSHIP LIBRARY
Notes to Financial Statements
June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Library provides public library services to the residents of Hamburg Township, Michigan. As required by generally accepted accounting principles, these financial statements present the Hamburg Township Library, which is a component unit of Hamburg Township.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. *Governmental activities* are activities which are normally supported by taxes and intergovernmental revenues.

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a 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.

HAMBURG TOWNSHIP LIBRARY
Notes to Financial Statements
June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

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

Governmental Funds

The Library reports only one fund, which is the General Fund. The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

Amounts reported as *program revenues* on page 10 include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. When both restricted and unrestricted resources are available for use, it is the Library's policy to use unrestricted resources first, then restricted resources as approved by the Board.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Assets, Liabilities and Net Position or Equity

1. Deposits and Investments

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. State statutes authorize the Library to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks. Investments are recorded at fair value.

2. Capital Assets

Capital assets, which include property, plant, and equipment are reported in the governmental column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs

HAMBURG TOWNSHIP LIBRARY
Notes to Financial Statements
June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Position or Equity – Continued

2. Capital Assets – Continued

that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building Improvements	5-20
Computer Equipment	4-5
Library Collection Materials	10

3. Compensated Absences

In accordance with personnel policies adopted by the Library Board, employees earn sick and vacation time based on time of service with the Library. All sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured. The long-term portion of compensated absences related to the governmental fund is a liability recorded in the Statement of Net Position.

4. Fund Equity

In the fund financial statements, governmental funds report the following components of fund balance:

Nonspendable – Amounts that are not in spendable form or are legally or contractually required to be maintained intact.

Restricted – Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.

Committed – Amounts that have been formally set aside by the Board for use for a specific purpose. Commitments are made and can be rescinded only via resolution of the Library Board.

Assigned – Intent to spend resources on specific purposes expressed by the Library Board.

Unassigned – This is the residual classification for the general fund. This classification represents fund balance that has not been restricted, committed, or assigned to specific purposes within the general fund.

HAMBURG TOWNSHIP LIBRARY
Notes to Financial Statements
June 30, 2016

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Library is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

1. Prior to June 1, the Library Director submits a proposed operating budget for the ensuing fiscal year commencing July 1. The board adopts the budget at the total fund level.
2. Public hearings are held prior to adoption.
3. Prior to June 30, the budget is enacted by passage of a resolution.
4. Formal budget integration is employed as a management control device for the General Fund.
5. The budget for the General Fund is adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP).
6. Appropriations lapse at year end.
7. The Library Board may amend the budget during the year.

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balances

The Library has no funds with accumulated fund balance deficits.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

Public Act 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 annual budget. In the body of the financial statements, the Library's actual expenditures and budgeted expenditures have been shown on a line item basis. The approved budget of the Library for the General Fund, which is the budgetary fund was adopted on the activity level.

During the year ended June 30, 2016, the Library did not incur expenditures in excess of the amount appropriated.

HAMBURG TOWNSHIP LIBRARY
Notes to Financial Statements
June 30, 2016

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law, the Library is permitted to invest in deposits with Michigan commercial banks, savings and loans and credit unions, obligations of the U.S. Treasury, and corporate bonds and commercial paper with certain investment grades. However, as the Library is a component unit of Hamburg Township, all Library funds are held in separate accounts from that of the Township. The Township manages their investment policy in accordance with the State of Michigan Public Act 20 of 1943, as amended. Also, in accordance with P.A. 164 of 1877, as amended, MCL section 397.205, the Library has limited control into the direction of choosing a banking institution to deposit the Library's funds. The following information, as required by Governmental Accounting Standards Board Statement Number 40, is presented regarding the Library's deposits and investments:

Custodial Credit Risk. In the event of a bank failure, the Library's deposits may not be recovered. Neither State law nor the Library's investment policy requires consideration of custodial credit risk. As of June 30, 2016, the Library's book balance of its deposits was \$1,526,483, including \$452 of petty cash. The bank balance was \$1,524,792 which was exposed to custodial credit risk, as follows:

	<u>Bank Balance</u>
Insured by F.D.I.C.	\$ 600,000
Uninsured and Uncollateralized	<u>924,792</u>
Total	<u>\$ 1,524,792</u>

Interest Rate Risk. The Library does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Library's deposits and investments consisted of the following:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Deposits and Investments:		
Savings and Checking Accounts	\$ 1,174,792	Demand
Certificate of Deposit	\$ 350,000	20 months

Credit Risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Library's investment policy does not further limit its investment choices.

Concentration of Credit Risk. The Library's investment policy places no limit on the amount the Library may invest in any one issuer. All of the Library's investments are distributed between several Michigan commercial banks.

HAMBURG TOWNSHIP LIBRARY
Notes to Financial Statements
June 30, 2016

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, being depreciated:				
Buildings and Improvements	\$ 169,575	\$ 19,659	\$ -	\$ 189,234
Computer Equipment	140,224	-	-	140,224
Library Collection Materials	888,395	27,383	(1,236)	914,542
	<u>1,198,194</u>	<u>47,042</u>	<u>(1,236)</u>	<u>1,244,000</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(63,434)	(7,545)	-	(70,979)
Computer Equipment	(74,383)	(6,816)	-	(81,199)
Library Collection Materials	(853,267)	(32,652)	1,236	(884,683)
	<u>(991,084)</u>	<u>(47,013)</u>	<u>1,236</u>	<u>(1,036,861)</u>
Capital Assets, Net	<u>\$ 207,110</u>	<u>\$ 29</u>	<u>\$ -</u>	<u>\$ 207,139</u>

Depreciation expense was charged to functions/programs of the Library as follows:

Governmental Activities: Cultural-Library	<u>\$ 47,013</u>
---	------------------

C. Long-Term Debt

The following is a summary of long-term debt transactions of the Library for the year ended June 30, 2016:

	<u>Balance July 1, 2015</u>	<u>Additional Debt Incurred</u>	<u>Retirements and Payments on Debt</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Governmental Activities:					
Compensated Absences	<u>\$24,398</u>	<u>\$ -</u>	<u>\$ (752)</u>	<u>\$23,646</u>	<u>\$ -</u>

HAMBURG TOWNSHIP LIBRARY
Notes to Financial Statements
June 30, 2016

III. DETAILED NOTES ON ALL FUNDS – Continued

D. Fund Balance

A detailed description of fund balance classifications at June 30, 2016, is presented below:

<u>Fund Balance</u>	<u>General Fund</u>
Nonspendable (Prepaid Expenses)	\$ 11,064
Restricted for Grants	500
Assigned:	
Building Capital Facilities	
Development	465,096
Programs and Services	
Development	400,000
Long Term Liabilities	23,646
Serenity Garden Maintenance	1,950
Unassigned	<u>627,853</u>
Total Fund Balance	<u>\$1,530,109</u>

E. Property Taxes

Property taxes are assessed as of each December 31. Taxes are billed the following December 1 and due the subsequent March 1, at which time the applicable property is subject to lien and penalty and interest is assessed. The Library's tax levy for the 2015 tax roll is as follows (tax rate per \$1,000 of assessed valuation):

<u>Source</u>	<u>Purpose</u>	<u>Date of</u> <u>Authorization</u>	<u>Maximum</u> <u>Authorized</u>	Less: <u>Required</u> <u>Reductions</u> <u>(State Law)</u>	<u>Maximum</u> <u>Allowable</u> <u>Millage</u>	<u>Tax</u> <u>Levy</u>
Voted	Operating	8/2014	.8000 mil	.0035	.7965	.7965

The current millage was approved by voters in August 2014 and expires at the end of the Winter 2021 tax collection period.

HAMBURG TOWNSHIP LIBRARY
Notes to Financial Statements
June 30, 2016

IV. OTHER INFORMATION

A. Defined Contribution Plan

The Library provides all of its full-time employees with a defined contribution retirement plan provided through Hamburg Township and administered by John Hancock. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by Board resolution, the Library contributes 10 percent of employees' gross earnings annually to the plan. The plan may be amended by Board resolution. The Library's current year contribution was \$16,787 for the three full-time employees covered under the plan.

B. Risk Management

The Library, through Hamburg Township, is a member of the Michigan Municipal Risk Management Authority for its general liability coverage and a member of the Michigan Municipal Workers Compensation Fund for its workers compensation coverage, and pays annual premiums to the pools. The pools are self-sustaining through member premiums, and each carries reinsurance through commercial companies for claims in excess of the pool loss reserve fund. In the event that a single loss should exceed the amount of protection afforded by the pool loss reserve fund, reinsurance, or other insurance carried by the pools, or in the event that a series of losses should deplete or exhaust the loss reserve fund and reinsurance, the payment of valid losses shall be the obligation of the individual member or members of the respective pool against whom the claim was made. No such event has occurred with Hamburg Township Library and the pools to which it belongs in any of the past three fiscal years.

