

**DELTA TOWNSHIP DISTRICT LIBRARY**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary and additional information)**  
**YEAR ENDED DECEMBER 31, 2009**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Delta Township District Library  
State of Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the Delta Township District Library as of and for the year ended December 31, 2009 which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Delta Township District Library's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 fund of the Delta Township District Library, State of Michigan as of December 31, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages v through xii and page 15, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Delta Township District Library's basic financial statements. The financial statements and other additional information presented on pages 17 and 18 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The financial statements and other additional information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Manes Costeiran PC*

April 14, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Delta Township District Library (the Library), we offer readers of the Delta Township District Library's financial statements this narrative overview and analysis of the financial activities of the Delta Township District Library for the fiscal years ended December 31, 2009 and 2008.

### FINANCIAL HIGHLIGHTS

- The assets of the Library exceeded its liabilities at the close of the most recent fiscal year by \$1,581,643 (net assets). Of this amount, \$1,163,416 (unrestricted net assets) may be used to meet the Library's ongoing obligations to citizens and creditors.
- The Library's total net assets increased by \$49,973 dollars.
- As of the close of the 2009 fiscal year, the Library's governmental fund reported ending fund balance of \$1,317,031 an increase of \$79,968 in comparison with the prior year.
- At the end of the current fiscal year, unrestricted and undesignated fund balance for the general fund was \$1,155,684, or 67 percent of total general fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Library's basic financial statements. The 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. This report also contains other supplementary and additional information in addition to the basic financial statements themselves.

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

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

The *statement of activities* presents information showing how the Library's net assets changed during the most recent fiscal year. All changes in net assets 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., earned but unused compensated absences).

The government-wide financial statements can be found on pages 2 and 3 of this report.

**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 Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund of the Library is categorized as a governmental fund.

**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 government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide information to facilitate this comparison between *governmental funds* and *governmental activities*.

The Library maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund which is considered a major fund.

The Library adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund in the required supplementary information.

The basic governmental fund financial statements can be found on pages 2 and 3 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 4 through 13 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Library's general fund budget on page 15. Additional information can be found on pages 17 and 18 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the Library, assets exceeded liabilities by \$1,581,643 at the close of the most recent fiscal year.

A portion of the Library's net assets (18 percent) reflects its investment in capital assets (e.g., library books, furniture and equipment), less any related debt, none at year end, used to acquire those assets that is still outstanding. The Library uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Delta Township District Library's Net Assets

	Governmental activities	
	2009	2008
Current and other assets	\$ 2,938,584	\$ 2,889,178
Capital assets	287,158	304,153
Total assets	3,225,742	3,193,331
Other liabilities	1,637,813	1,653,311
Long-term liabilities outstanding	6,286	8,493
Total liabilities	1,644,099	1,661,804
Net assets:		
Invested in capital assets, net of related debt	287,158	304,153
Restricted for other post retirement benefits	312	143
Restricted from capital campaign	130,757	176,051
Unrestricted	1,163,416	1,051,323
Total net assets	\$ 1,581,643	\$ 1,531,670

The unrestricted net assets (\$1,163,416) may be used to meet the Library's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Library is able to report positive balances in all categories of net assets for its governmental activities.

The Library's net assets increased by \$49,973 during the current fiscal year. The majority of this increase can be attributed to the degree in which increases in ongoing revenues have exceeded similar increases in ongoing expenditures.

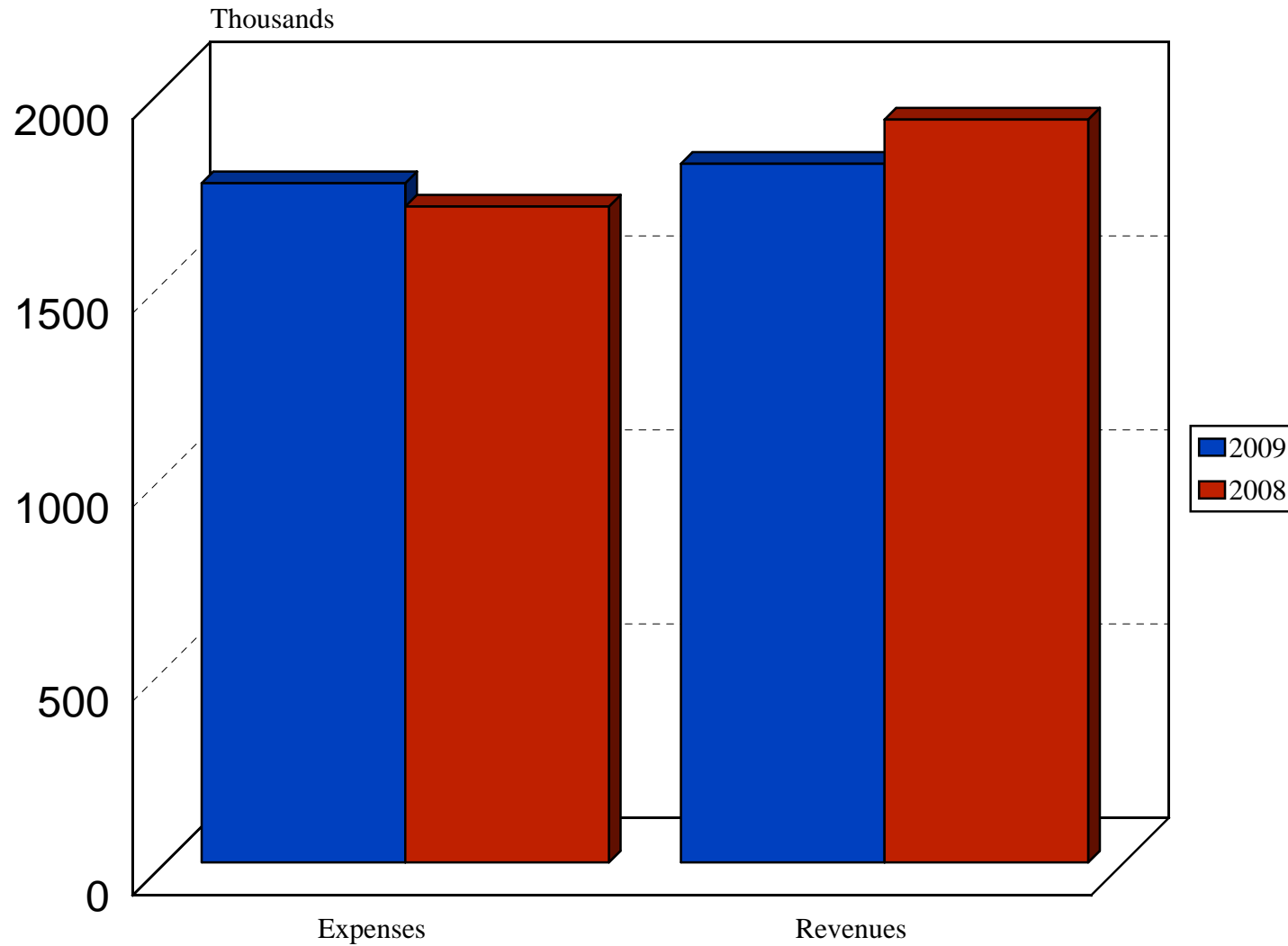
**Governmental activities.** Governmental activities increased the Library’s net assets by \$48,973, thereby the governmental activities accounted for 100% of the total increase in the net assets of the Library. Key elements of this increase are as follows:

Delta Township District Library’s Changes in Net Assets

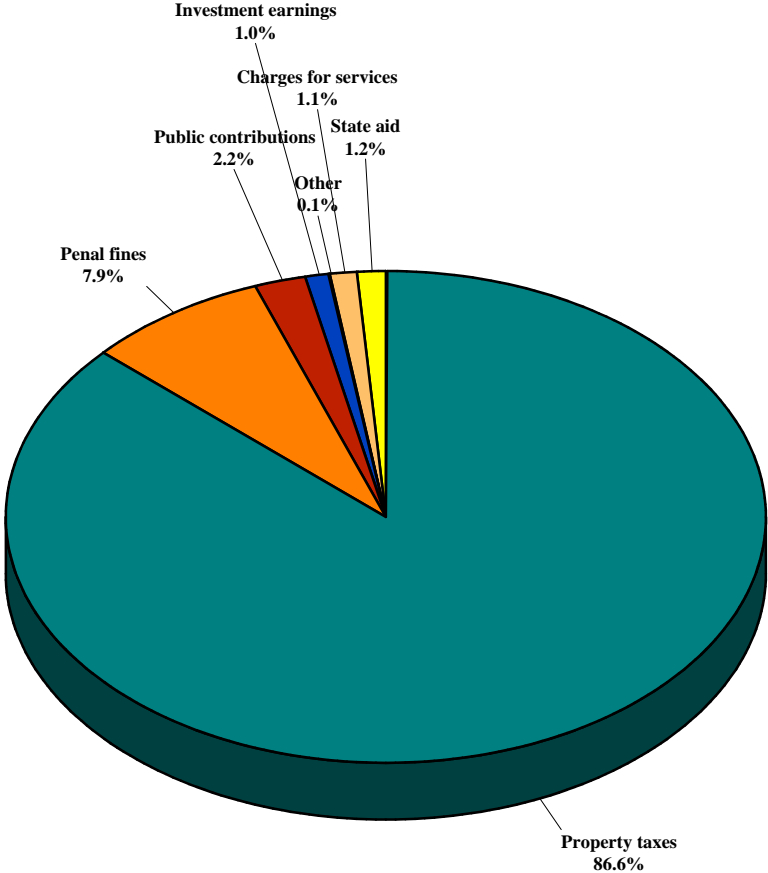
	Governmental activities	
	2009	2008
Revenues:		
Program revenues:		
Charges for services	\$ 19,965	\$ 17,353
State aid	21,132	10,749
Penal fines	142,256	196,526
Public contributions	39,264	75,324
General revenues:		
Property taxes	1,559,303	1,536,083
Investment earnings	17,720	74,029
Other	1,196	4,932
Total revenues	1,800,836	1,914,996
Expenses:		
Culture and recreation	1,750,863	1,690,617
Increase in net assets	49,973	224,379
Net assets, beginning of year	1,531,670	1,307,291
Net assets, end of year	\$ 1,581,643	\$ 1,531,670

- Program revenues decreased by \$77,335 (26 percent) during the year. Most of this decrease is due to the decrease in penal fines, as well as the decrease in public contributions.
- Overall government activities revenue is down \$114,160 from prior year. The majority of the decrease is due to receiving less investment earnings due to low interest rates earned.
- Expenses increased \$60,246. The increase can be attributed to adding new staff and increased lease expense.

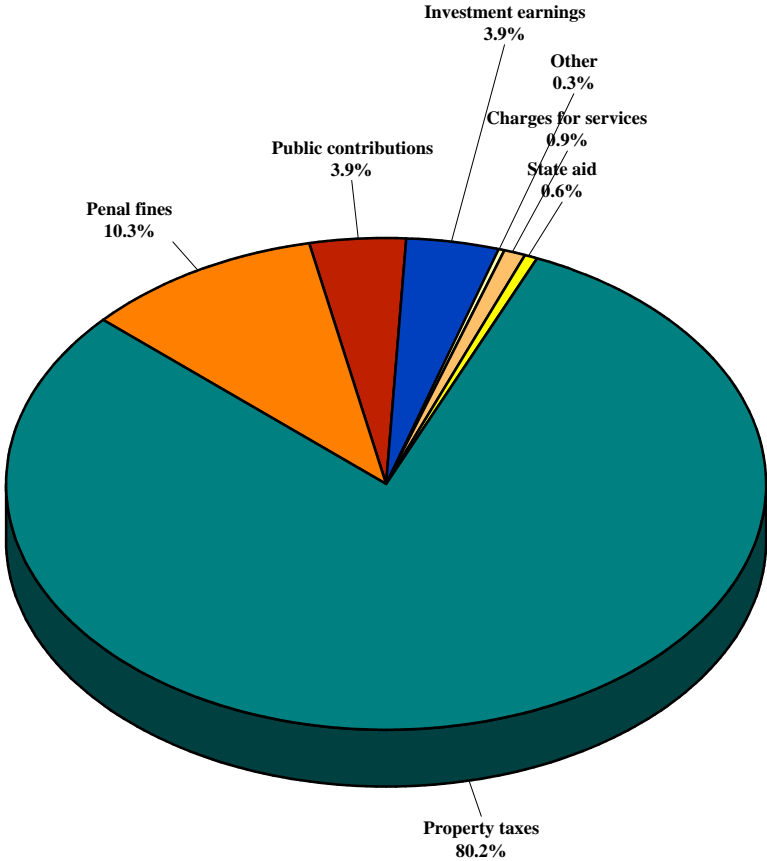
Delta Township District Library  
Expenses and Revenues - Governmental Activities  
December 31,



# Delta Township District Library Revenues by Source - Governmental Activities December 31



**2009**



**2008**

## Financial Analysis of the Government's Funds

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

**Governmental fund.** The focus of the Library's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Library's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Library's governmental fund reported combined ending fund balance of \$1,317,031 an increase of \$79,968 in comparison with the prior year. Approximately 88% of this total amount (\$1,155,684) constitutes *unrestricted and undesignated fund balance*, which is available for spending at the Library's discretion. The remainder of fund balance is restricted, reserved, or designated to indicate that it is not available for new spending because it has already been committed to 1) capital campaign (\$111,183), 2) prepaid contracted services (\$7,732), or 3) for compensated absences (\$42,432).

The general fund is the chief and only operating fund of the Library. At the end of the current fiscal year, unrestricted and undesignated fund balance of the general fund was \$1,155,684, while total fund balance reached \$1,317,031. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unrestricted and undesignated fund balance represents 67 percent of total general fund expenditures, while total fund balance represents 76 percent of that same amount.

The fund balance of the Library's general fund increased by \$79,968 during fiscal year 2009. Key factors in this increase are as follows:

- Ongoing revenues have exceeded increases in ongoing expenditures.

### General Fund Budgetary Highlights

- In 2009 there were no changes to the original budget.

### Capital Asset and Debt Administration

**Capital assets.** The Library's investment in capital assets for its governmental activities as of December 31, 2009, amounts to \$287,158 (net of accumulated depreciation). This investment in capital assets includes library books, audio, furniture and equipment. The total decrease in the Library's investment in capital assets for the current fiscal year was 6 percent.

Major capital asset events during the current fiscal year included the following:

- New library books and materials

Delta Township District Library's Capital Assets  
(net of depreciation)

	Governmental activities	
	2009	2008
Library books and materials	\$ 210,730	\$ 196,063
Furniture and equipment	76,428	108,090
	\$ 287,158	\$ 304,153

Additional information on the Library's capital assets can be found in Note 4 on page 10 of this report.

**Long-term debt.** At the end of the current fiscal year, the Library had total long-term debt outstanding of \$42,432. This represents compensated absences earned but not used as of year end.

Delta Township District Library's Outstanding Debt

	Governmental activities	
	2009	2008
Compensated absences	\$ 42,432	\$ 40,303

The Library's total debt increased by \$2,129 (5 percent) during the current fiscal year.

Additional information on the Library's long-term debt can be found in Note 5 on page 11 of this report.

Economic Factors and Next Year's Budgets and Rates

Delta Township District Library's goal is to maintain and enhance the services that are provided to the public utilizing the most efficient and effective methods. The Library has a conservative and financially prudent budget for the fiscal year 2010 that will promote several of the Library's activities and programs.

Requests for Information

This financial report is designed to provide a general overview of the Delta Library's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Delta Township District Library, 5130 Davenport Drive, Lansing, MI 48917.

## **BASIC FINANCIAL STATEMENTS**

**DELTA TOWNSHIP DISTRICT LIBRARY  
GOVERNMENTAL FUND BALANCE SHEET  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2009**

	<b>Balance sheet general fund modified accrual basis</b>	<b>Adjustments</b>	<b>Statement of net assets</b>
<b>CURRENT ASSETS:</b>			
Cash	\$ 1,025,619	\$ -	\$ 1,025,619
Investments	812,269	-	812,269
Receivables:			
Accounts	21,481	-	21,481
Taxes	954,053	-	954,053
Interest	5,935	-	5,935
Prepaid expenses	7,732	-	7,732
Restricted cash - capital campaign	111,183	-	111,183
<b>TOTAL CURRENT ASSETS</b>	<b>2,938,272</b>	<b>-</b>	<b>2,938,272</b>
<b>NONCURRENT ASSETS:</b>			
Prepaid other post employment benefits - restricted	-	312 <sup>(4)</sup>	312
Capital assets, net of accumulated depreciation	-	287,158 <sup>(1)</sup>	287,158
<b>TOTAL NONCURRENT ASSETS</b>	<b>-</b>	<b>287,470</b>	<b>287,470</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,938,272</b>	<b>287,470</b>	<b>3,225,742</b>
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 48,088	-	48,088
Accrued payroll, taxes and withholding	9,489	-	9,489
Deferred revenue - taxes and contributions	1,563,664	(19,574) <sup>(3)</sup>	1,544,090
Current portion of compensated absences	-	36,146 <sup>(2)</sup>	36,146
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,621,241</b>	<b>16,572</b>	<b>1,637,813</b>
<b>NONCURRENT LIABILITIES:</b>			
Compensated absences, less current portion	-	6,286 <sup>(2)</sup>	6,286
<b>TOTAL LIABILITIES</b>	<b>1,621,241</b>	<b>22,858</b>	<b>1,644,099</b>
<b>FUND BALANCE/NET ASSETS:</b>			
Invested in capital assets net of related debt	-	287,158	287,158
Restricted for other post employment benefits	-	312	312
Restricted from capital campaign	111,183	19,574	130,757
Reserved for prepaid expenditures	7,732	(7,732)	-
Designated for compensated absences	42,432	(42,432)	-
Unrestricted	1,155,684	7,732	1,163,416
<b>TOTAL FUND BALANCE/NET ASSETS</b>	<b>1,317,031</b>	<b>\$ 264,612</b>	<b>\$ 1,581,643</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 2,938,272</b>		

<sup>(1)</sup> Capital assets used in governmental activities are not financial resources and are not reported under the modified accrual basis of accounting.

<sup>(2)</sup> Compensated absences are not due and payable in the current period and are not reported under the modified accrual basis of accounting.

<sup>(3)</sup> Contributions not collected within 60 days from year-end are not available to pay for current period expenditures, and therefore are deferred under the modified accrual basis of accounting and recognized under the full accrual method.

<sup>(4)</sup> Contributions for other post employee benefits exceeding the annual required contribution are not reported under the modified accrual basis of accounting.

**DELTA TOWNSHIP DISTRICT LIBRARY**  
**STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2009**

	Statement of revenue, expenditures and changes in fund balance general fund modified accrual basis	Adjustments	Statement of activities
<b>REVENUES:</b>			
Property taxes	\$ 1,559,303	\$ -	\$ 1,559,303
State aid	21,132	-	21,132
Penal fines	142,256	-	142,256
Charges for services	19,965	-	19,965
Investment income - net	17,720	-	17,720
Public contributions	50,304	(11,040) <sup>(3)</sup>	39,264
Other	1,196	-	1,196
	<u>1,811,876</u>	<u>(11,040)</u>	<u>1,800,836</u>
Total revenues	<u>1,811,876</u>	<u>(11,040)</u>	<u>1,800,836</u>
<b>EXPENDITURES:</b>			
Current:			
Culture and recreation:			
Salaries and employee benefits	891,954	1,960 <sup>(2)</sup>	893,914
Books and materials	156,575	(96,359) <sup>(1)</sup>	60,216
Lease expense	412,050	-	412,050
Contractual services	67,736	-	67,736
Telephone and utilities	51,147	-	51,147
Printing	4,737	-	4,737
Repairs and maintenance	19,802	-	19,802
Insurance	4,057	-	4,057
Education and training	10,943	-	10,943
Membership dues	7,690	-	7,690
Depreciation	-	132,239 <sup>(1)</sup>	132,239
Capital outlay	31,888	(18,885) <sup>(1)</sup>	13,003
Capital campaign expense	62,383	-	62,383
Miscellaneous	10,946	-	10,946
	<u>1,731,908</u>	<u>18,955</u>	<u>1,750,863</u>
Total expenditures	<u>1,731,908</u>	<u>18,955</u>	<u>1,750,863</u>
Net change in fund balance/net assets	79,968	(29,995)	49,973
<b>FUND BALANCE/NET ASSETS, beginning of year</b>	<u>1,237,063</u>	<u>294,607</u>	<u>1,531,670</u>
<b>FUND BALANCE/NET ASSETS, end of year</b>	<u>\$ 1,317,031</u>	<u>\$ 264,612</u>	<u>\$ 1,581,643</u>

<sup>(1)</sup> Governmental funds report capital assets as expenditures in the statement of revenues, expenditures and changes in fund balances. In the statement of activities these expenditures are capitalized and depreciated over their estimated useful lives.

<sup>(2)</sup> Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental fund. The adjustment represents the change of the year end liability compared to the prior year.

<sup>(3)</sup> Governmental funds report revenue as being available within a reasonable amount of time after the year end, typically 60 days. In the statement of activities these revenues are recognized as revenue when they are measurable.

**DELTA TOWNSHIP DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Charter Township of Delta and the Waverly Community Schools entered into a District Library agreement March 9, 1998 under the provisions of Act 24, Michigan Public Acts of 1989, as amended. The Library Board determined the library shall be known as the Delta Township District Library. The District Library serves the residents of the Charter Township of Delta and the residents served by the Waverly Community Schools located in Watertown Charter Township. A six-member board serves the District Library, four appointed by the Charter Township of Delta and two by the Waverly Community Schools.

The accompanying financial statements present the activity for which the government considers itself financially accountable. The Library is not included as a component unit in any other primary government's financial statements. Based on the significance of any operations or financial relationships with the Library, there are no component units to be included in these financial statements.

**A. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the primary government unit.

The Library utilized the financial statement format recommended by the State of Michigan for special purpose entities engaged only in governmental activities.

The Library maintains only one fund, the general fund, which is accounted for as a governmental fund.

**B. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements (the statement of net assets and statement of activities) 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. 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 (the balance sheet and statement of revenue, expenditures and changes in fund balances) 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* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues 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, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

**DELTA TOWNSHIP DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)**

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Library reports the following major governmental fund:

The *general fund* is the Library's primary operating fund. It accounts for all financial resources of the general government. There are no resources required to be accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the Library's practice to use restricted resources first, then unrestricted resources as they are needed.

**C. Assets, Liabilities and Net Assets or Equity**

**1. Cash and Investments**

Cash includes amounts in petty cash and demand deposits. Investments include instruments allowed by state statute subsequently described. Investments are carried at amortized cost or fair value.

State statutes authorized the Library to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Library is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**DELTA TOWNSHIP DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Liabilities and Net Assets or Equity (Concluded)**

**1. Cash and Investments (Concluded)**

The Library participates in the Charter Township of Delta’s retirement system. The investments are held in trust by the investment fiduciary, ICMA Retirement Corporation. Michigan Compiled Laws, Section 38.1132, authorizes the Charter Township of Delta’s retirement system to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contract obligations of a specified nature, and real or personal property.

**2. Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**3. Capital Assets**

Capital assets, which include furniture, equipment, and library books, are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. The total of books purchased during the year are capitalized and are depreciated over five years. The Library has elected not to capitalize rare books. Fully depreciated books are removed from the asset schedule. Such assets are recorded at historical cost or estimated historical cost if purchased. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the Library, are depreciated using the straight-line method over the following estimated useful live.

Assets	Years
Library books and materials	5
Furniture and equipment	5

**DELTA TOWNSHIP DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**C. Assets, Liabilities and Net Assets or Equity (Concluded)**

**4. Compensated Absences**

It is the Library's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave, which will be paid to employees upon separation from the Library. All vacation pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**5. Fund Equity**

In the fund financial statements, the governmental fund may report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**NOTE 2 - LEGAL COMPLIANCE - BUDGETS**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at fiscal year-end. Any variances from the adopted budget are highlighted on page 15.

Encumbrances represent commitments related to unperformed contracts for goods or services. The Township does not utilize encumbrance accounting.

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

1. On or prior to September 1 of each year, a proposed budget is submitted to the Library Board for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to December 31 the budget is legally enacted through passage of a resolution.
4. Any revisions of the budget must be approved by the Library Board.

**DELTA TOWNSHIP DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - LEGAL COMPLIANCE – BUDGETS (Concluded)**

5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. Budgets for the general fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as originally adopted, or as amended by the Library Board during the fiscal year. Individual amendments were not material in relation to the original appropriations which were amended.
7. The budget is prepared by fund and function and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

As of December 31, 2009 the Library had the following investments.

<b>Investment Type</b>	<b>Fair value</b>	<b>Weighted average maturity (years)</b>	<b>Standard &amp; Poor's rating</b>	<b>%</b>
U.S. Treasury Notes	\$ 104,393	1.4332	AAA	13.1%
Commercial Paper	36,181	0.0795	A-1	4.5%
U.S. Agency Loans	469,579	3.9131	AAA	58.9%
U.S. Agencies:				
Mortgage Backed Securities	9,397	15.8494	AAA	1.2%
Corporate	22,710	3.6174	AA+	2.8%
Municipal bonds	48,844	4.7426	AA+	6.1%
MBIA External Investment Pool - CLASS	106,535	0.0027	AAA	13.4%
Total fair value	<u>\$ 797,639</u>			<u>100.0%</u>
Portfolio weighted average maturity		<u>3.0754</u>		

1 day maturity equals 0.0027, one year equals 1.00

**DELTA TOWNSHIP DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

The Library voluntarily invests excess funds in pooled short term investment funds which included money market funds. One of the pooled investment funds utilized by the Library is MBIA. MBIA is an external pooled investment fund of “qualified” investments for Michigan townships. MBIA is not regulated nor is it registered with the SEC. MBIA reports as of December 31, 2009, the fair value of the Library’s investments is the same as the value of the pool shares.

**Interest rate risk.** In accordance with its investment policy, the Library will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Library’s cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

**Concentration of credit risk.** The Library will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Library’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Library’s deposits may not be returned to it. As of December 31, 2009, \$1,111,984 of the Library’s bank balance of \$1,176,169 was exposed to custodial credit risk because it was uninsured. Certificate of deposits and money market accounts are included in the above totals. The balance of \$1,151,432 is reported as deposits on the financial statements as of December 31, 2009.

**Custodial credit risk - investments.** For an investment, this 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 will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Library will do business.

**Foreign currency risk.** The Library is not authorized to invest in investments which have this type of risk.

**DELTA TOWNSHIP DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)**

The above amounts as previously reported in Note 3:

Deposits	\$	1,151,432
Investments		797,639
		797,639
	\$	1,949,071

The above amounts are reported in the financial statements as follows:

Cash	\$	1,025,619
Restricted cash - capital campaign		111,183
Investments		812,269
		812,269
	\$	1,949,071

**NOTE 4 - CAPITAL ASSETS**

The capital assets for the year ended December 31 was as follows.

	Balance December 31, 2008	Additions	Deletions	Balance December 31, 2009
Primary government:				
Governmental activities:				
Capital assets being depreciated:				
Library books and materials	\$ 546,004	\$ 96,359	\$ -	\$ 642,363
Furniture and equipment	210,240	18,885	-	229,125
Total capital assets, being depreciated	756,244	115,244	-	871,488
Less accumulated depreciation for:				
Library books and materials	349,941	81,692	-	431,633
Furniture and equipment	102,150	50,547	-	152,697
Total accumulated depreciation	452,091	132,239	-	584,330
Total capital assets, being depreciated, net	\$ 304,153	\$ (16,995)	\$ -	\$ 287,158

Depreciation expense amounted to \$132,239.

**DELTA TOWNSHIP DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM DEBT**

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
<b>Governmental activities:</b>					
Compensated absences	\$ 40,303	\$ 6,543	\$ (4,414)	\$ 42,432	\$ 36,146

**NOTE 6 - PROPERTY TAX REVENUE**

Property taxes become an enforceable lien on the property as of December 1. Taxes are levied on December 1 and are due in February of the following year. The Library engages other municipalities to bill and collect its own property taxes. Library tax revenues are recognized in the fiscal year following the December 1 levy date. Property taxes levied for the ensuing year's revenue are included in taxes receivable and deferred revenue. Property tax receivables related to delinquent taxes are also deferred unless collected within 60 days of year-end.

The residents of the Library District have approved a \$1.00 per \$1,000 of taxable value millage specifically for the operation of the Library.

**NOTE 7 - PENSION PLANS**

Money Purchase Retirement Plan

The District Library employees, who are employed by the Charter Township of Delta, participate in the Charter Township of Delta's Money Purchase Retirement Plan. This defined contribution plan covers all full time employees and elected officials who have attained the age of eighteen years. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus results of investments transactions. The plan assets are invested by ICMA Retirement Corporation who is the trustee of the plan. The Township acts as a public plan sponsor for the retirement plan. Partial vesting occurs after three years of service at 20% and increases 20% per year until full vesting occurs at seven years of service. The Library contributes 12.5% of the employees' base annual compensation, based on the contribution provisions set up in the plan and trust agreement. The Library made the required contributions of \$43,126. No employee contributions are allowed under the plan. Plan provisions and contribution requirements are established and may be amended by the Township.

**DELTA TOWNSHIP DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PENSION PLANS (Concluded)**

Deferred Compensation Plan

The Library also participates in the Township's deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, which is available to substantially 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.

The Plan assets are held in trust for the exclusive benefit of participating employees and are not assessable by the government or its creditors.

**NOTE 8 - OTHER POST EMPLOYMENT BENEFITS**

In addition to the pension benefits and deferred compensation plan described in Note 7, the Library through the Township, provides post employment health care benefits to all employees who retire from the Library with a minimum ten years of service based on the schedule of shared participation rates. The Library's share of costs ranges from 25% for those employees with ten years of service to 100% for those with 25 years of service. The Library's contribution is based on a percentage allocation of total salaries, resulting in a required contribution of \$23,831; in which, the Library made actual payments of \$24,000, increasing the prepayment by \$169 to the Township's post employment benefit trust fund for the year ending December 31, 2009. Total prepayment for post employment at December 31, 2009 amounted to \$312.

**NOTE 9 - RELATED PARTY TRANSACTION**

The Charter Township of Delta appoints representatives on the board of the Library. The Township provides, and charges for, administration and maintenance services to the Library which amounted to \$25,258 and \$19,802, for the year ending December 31, 2009, respectively. The Library leases its facilities from the Township. See Note 11.

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

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 through the Township to cover any losses that may result from the above described activities. No settlements have incurred in excess of coverage in 2009 or any of the prior three years.

**DELTA TOWNSHIP DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 - OPERATING LEASE**

The Charter Township of Delta has issued general obligation bonds totaling \$7,300,000 for the purpose of constructing a building to be utilized by the Delta Township District Library as a library. In April 2007, the Township and the Library entered into a thirty-five year operating lease with lease payments corresponding to the payment terms of the aforementioned bonds plus, after the bonds are paid, \$1 a year during the remainder of the lease term. The bonds are scheduled to be paid through 2037.

Year ending December 31,		
2010	\$	407,800
2011		403,612
2012		399,550
2013		395,550
2014		391,550
2015 - 2019		2,177,750
2020 - 2024		2,184,500
2025 - 2029		2,254,075
2030 - 2034		2,681,150
2035 - 2037		1,601,250
	<b>\$</b>	<b>12,896,787</b>

During 2009 the Library paid the Charter Township of Delta \$412,050 for rental of the facilities.

**NOTE 12 - 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**DELTA TOWNSHIP DISTRICT LIBRARY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2009**

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance positive (negative)</b>
<b>REVENUES:</b>				
Local sources:				
Property taxes	\$ 1,545,500	\$ 1,545,500	\$ 1,559,303	\$ 13,803
Penal fines	195,000	195,000	142,256	(52,744)
Charges for services	18,500	18,500	19,965	1,465
Investment income - net	40,000	40,000	17,720	(22,280)
Public contributions	32,869	32,869	50,304	17,435
Other	4,200	4,200	1,196	(3,004)
Total local sources	1,836,069	1,836,069	1,790,744	(45,325)
State sources	20,000	20,000	21,132	1,132
Total revenues	1,856,069	1,856,069	1,811,876	(44,193)
<b>EXPENDITURES:</b>				
Current:				
Culture and recreation	1,811,427	1,811,427	1,731,908	79,519
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 44,642</b>	<b>\$ 44,642</b>	79,968	<b>\$ 35,326</b>
<b>FUND BALANCE:</b>				
Beginning of year			1,237,063	
End of year			<b>\$ 1,317,031</b>	

**ADDITIONAL INFORMATION**

**DELTA TOWNSHIP DISTRICT LIBRARY  
GENERAL FUND  
BALANCE SHEETS  
DECEMBER 31, 2009 ANS 2008**

	2009	2008
<b>ASSETS</b>		
<b>ASSETS:</b>		
Cash	\$ 1,025,619	\$ 827,770
Investments	812,269	872,124
Receivables:		
Accounts	21,481	30,614
Taxes	954,053	998,293
Interest	5,935	7,208
Prepaid expense	7,732	7,732
Restricted cash - capital campaign	111,183	145,437
<b>TOTAL ASSETS</b>	<b>\$ 2,938,272</b>	<b>\$ 2,889,178</b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 48,088	\$ 19,531
Accrued payroll, taxes and withholding	9,489	31,467
Deferred revenue - taxes and contributions	1,563,664	1,601,117
<b>TOTAL LIABILITIES</b>	1,621,241	1,652,115
<b>FUND BALANCE:</b>		
Restricted from capital campaign	111,183	145,437
Reserved for prepaid expenses	7,732	7,732
Designated for compensated absences	42,432	40,303
Unrestricted	1,155,684	1,043,591
<b>TOTAL FUND BALANCE</b>	1,317,031	1,237,063
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 2,938,272</b>	<b>\$ 2,889,178</b>

**DELTA TOWNSHIP DISTRICT LIBRARY  
GENERAL FUND  
STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>REVENUES:</b>		
Property taxes	\$ 1,559,303	\$ 1,536,083
State aid	21,132	10,749
Penal fines	142,256	196,526
Charges for services	19,965	17,353
Investment income - net	17,720	74,029
Public contributions	50,304	105,341
Other	1,196	4,932
	<u>1,811,876</u>	<u>1,945,013</u>
Total revenues		
<b>EXPENDITURES:</b>		
Current:		
Culture and recreation:		
Salaries and employee benefits	891,954	734,828
Books and materials	156,575	206,361
Lease expense	412,050	314,175
Contractual services	67,736	59,012
Telephone and utilities	51,147	40,365
Printing	4,737	5,905
Repairs and maintenance	19,802	42,912
Insurance	4,057	11,380
Education and training	10,943	11,085
Membership dues	7,690	4,507
Capital outlay	31,888	117,705
Capital campaign expense	62,383	93,034
Contributions to Delta Township	-	145,766
Miscellaneous	10,946	10,181
	<u>1,731,908</u>	<u>1,797,216</u>
Total expenditures		
Net change in fund balance	79,968	147,797
<b>FUND BALANCE, beginning of year</b>	<u>1,237,063</u>	<u>1,089,266</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 1,317,031</u>	<u>\$ 1,237,063</u>