

HAMBURG TOWNSHIP LIBRARY
Livingston County, Michigan

AUDITED FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2018

HAMBURG TOWNSHIP LIBRARY
For the Year Ended June 30, 2018

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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.
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. Gullede, C.P.A.
Jing Yang, C.P.A.

Independent Auditor's Report

August 8, 2018

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, 2018, 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

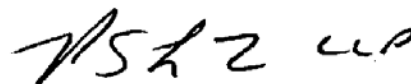
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the General Fund of the Hamburg Township Library as of June 30, 2018, and the respective changes in financial position thereof for 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 style.

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, 2018.

Financial Highlights

- The assets of the Hamburg Township Library exceeded its liabilities at the close of the most recent fiscal year by \$1,926,790 (*net position*). Of this amount, \$1,771,452, 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 \$1,736,448, an increase of \$74,472 in comparison with the prior year.
- The Library's total net position increased by \$108,994 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 \$1,926,790 at the close of the most recent fiscal year.

Hamburg Township Library's Net Position

	2018	2017
Current and other assets	\$ 1,793,588	\$ 1,676,242
Capital Assets	220,662	177,078
Total Assets	2,014,250	1,853,320
Long-term Liabilities	30,320	21,258
Other Liabilities	57,140	14,266
Total Liabilities	87,460	35,524
Net Position:		
Net Investment in capital assets	220,662	177,078
Unrestricted	1,706,128	1,640,718
Total Net Position	\$ 1,926,790	\$ 1,817,796

Governmental activities. The Hamburg Township Library's net position increased by \$108,994 in fiscal year 2018.

Hamburg Township Library's Changes in Net Position

	2018	2017
Revenues:		
Program Revenues:		
Services (Programs, book fines, copies, misc.)	\$ 16,432	\$ 20,272
Operating Grants and Contributions:		
Penal Fines	60,837	79,579
Public Donations	7,841	10,458
Grants	-	-
General Revenues:		
Property Tax Collection	789,024	770,755
State Aid to Libraries	15,521	13,843
Bank Interest	8,841	2,360
Total Revenues	898,496	897,267
Expenses - Library Services	789,502	793,073
Increase (Decrease) in Net Position	108,994	104,194
Net Position, July 1	1,817,796	1,713,602
Net Position, June 30	\$ 1,926,790	\$ 1,817,796

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 \$1,736,448, an increase of \$74,472 in comparison with the prior year. Total fund balance of \$1,736,448 consists of \$11,400 of nonspendable fund balance (prepaid expenses), \$1,001,048 *assigned fund balances*, and \$724,000 of *unassigned fund balance*. The assigned fund balances represent funds that are assigned by Library Board of Trustee vote for furthering the Library's mission:

- Assigned funds of \$1,001,048 for future uses: building facility \$570,728, future programs and services \$400,000, and for the long term liability of ongoing vacation/sick time earned but not used \$30,320.
- The unassigned fund balance amount of \$724,000 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 2018. The fiscal year 2018 budget projected a net increase in fund balance of \$50,978. The actual change in fund balance was an increase of \$74,472, resulting in a favorable overall variance of budget to actual of \$23,494, as detailed on page 13 of this report.

Capital Assets

Hamburg Township Library's investment in capital assets as of June 30, 2018, amounts to \$220,662 (net of accumulated depreciation). This investment in capital assets includes the additions of \$113,674 less depreciation of \$70,090 resulting in a total increase in the Library's investment in capital assets for the current fiscal year of \$43,584. Capital asset additions during fiscal year 2018 include LED lighting throughout the building and the addition of 3 new study rooms. 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 \$22,287, 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

	2018	2017
Buildings and Improvements	\$ 278,279	\$ 193,714
Computer Equipment	139,459	139,459
Library Collection Materials	970,912	941,803
Less: Accumulated Depreciation	(1,167,988)	(1,097,898)
Capital Assets, Net	\$ 220,662	\$ 177,078

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, 2018 to June 30, 2019

- The library building is now 17 years old and more costly repairs are becoming necessary. Therefore, the Board assigned funds for building repairs and facility development has been increased to \$570,728 to meet these needs.
- The ACA health care requirements still have not been settled, and, therefore, the financial impact on the budget is continuing to prove difficult to predict.
- The high demand for digital services continues. These services are expensive and will continue to have a strong impact on the budget.
- The library no longer receives free internet services through the local school district, so an additional line item has been added to the budget to accommodate this additional cost.
- Hamburg Township recently underwent an ADA (American's with Disabilities Act) audit with the intention of addressing issues over the course of the next four years. The library has increased the budget for capital improvements in anticipation of any directives from the Township.

All of these factors were considered in preparing the Hamburg Township Library's budget for the 2018-2019 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, 2018

	Governmental Activities
<u>ASSETS</u>	
Cash	\$ 1,771,452
Interest Receivable	2,748
Due from State	7,817
Due from Other Governmental Units	171
Prepaid Expenditures	11,400
Capital Assets (net of accumulated depreciation)	220,662
Total Assets	2,014,250
 <u>LIABILITIES</u>	
Accounts Payable	46,568
Due to Other Governmental Units	10,572
Noncurrent Liabilities:	
Due within one year	-
Due in more than one year (vacation/sick leave)	30,320
Total Liabilities	87,460
 <u>NET POSITION</u>	
Net Investment in Capital Assets	220,662
Unrestricted	1,706,128
Total Net Position	\$ 1,926,790

HAMBURG TOWNSHIP LIBRARY
Statement of Activities
For the Year Ended June 30, 2018

	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	\$ 789,502	\$ 16,432	\$ 68,678	\$ -	\$ (704,392)

General Revenues:		
Property Taxes	789,024	
State Aid to Libraries	15,521	
Unrestricted Interest Earnings	8,841	
Total General Revenues	813,386	
Change in Net Position	108,994	
Net Position - Beginning	1,817,796	
Net Position - Ending	\$ 1,926,790	

HAMBURG TOWNSHIP LIBRARY
Balance Sheet
Governmental Fund
June 30, 2018

	<u>General Fund</u>
<u>ASSETS</u>	
Cash	\$ 1,771,452
Interest Receivable	2,748
Due from State	7,817
Due from Other Governmental Units	171
Prepaid Expenditures	<u>11,400</u>
 Total Assets	 \$ <u><u>1,793,588</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Accounts Payable	\$ 46,568
Due to Other Governmental Units	10,572
Total Liabilities	<u>57,140</u>
 Fund Balance:	
Nonspendable	11,400
Assigned	1,001,048
Unassigned	<u>724,000</u>
Total Fund Balance	1,736,448
 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.	220,662
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(30,320)</u>
 Net Position of Governmental Activities	 \$ <u><u>1,926,790</u></u>

HAMBURG TOWNSHIP LIBRARY
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2018

	General Fund
<u>Revenues</u>	
Property Taxes Levied	\$ 789,024
State Aid to Libraries	15,521
Penal Fines	60,837
Book Fines	4,542
Charges for Services	8,218
Interest Earned	8,841
Public Donations	7,841
Other	3,672
Total Revenues	898,496
<u>Expenditures</u>	
Current:	
Cultural - Library Operations	710,350
Capital Outlay	113,674
Total Expenditures	824,024
Net Change in Fund Balance	74,472
Fund Balance - Beginning	1,661,976
Fund Balance - Ending	\$ 1,736,448

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, 2018

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

Net change in fund balance - total governmental fund	\$	74,472
<p>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.</p>		
	Capital Outlay	113,674
	Depreciation Expense	(70,090)
<p>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.</p>		
		<u>(9,062)</u>
Change in net position in governmental activities	\$	<u><u>108,994</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$ 755,883	\$ 755,883	\$ 789,024	\$ 33,141
Intergovernmental - State	13,748	13,748	15,521	1,773
Penal Fines	79,000	79,000	60,837	(18,163)
Book Fines	4,200	4,200	4,542	342
Copies & Fax	4,050	4,050	6,741	2,691
Programs	1,050	1,050	1,477	427
Interest Income	2,300	2,300	8,841	6,541
Donations	5,350	5,350	7,841	2,491
Miscellaneous	810	810	3,672	2,862
Total Revenues	<u>866,391</u>	<u>866,391</u>	<u>898,496</u>	<u>32,105</u>
Expenditures:				
Salaries & Wages	479,636	479,636	439,021	40,615
Fringe Benefits	117,529	117,529	102,544	14,985
Office Supplies	10,990	10,990	8,488	2,502
Postage	3,350	3,350	3,144	206
Custodian/Cleaning	16,467	16,467	14,171	2,296
Secretary	360	360	300	60
Telephone	2,340	2,340	2,141	199
Utilities	37,558	37,558	25,388	12,170
Mileage	260	260	-	260
Travel	620	620	4	616
Workshops	995	995	1,491	(496)
Programs	11,621	11,621	8,699	2,922
Books	26,899	26,899	28,250	(1,351)
Magazines	2,500	2,500	1,744	756
Newspapers	1,500	1,500	1,832	(332)
Electronic Subscriptions	8,608	8,608	8,525	83
Audio	9,201	9,201	9,551	(350)
Music	600	600	394	206
Videos	3,700	3,700	3,675	25
Dues & Memberships	1,311	1,311	1,137	174
Professional Fees	14,330	14,330	12,046	2,284
Printing & Publishing	14,048	14,048	14,881	(833)
Payroll Service Fees	1,508	1,508	1,170	338
Miscellaneous	5,550	5,550	670	4,880
Equipment Maintenance	15,231	15,231	14,420	811
Repairs & Maintenance	15,416	15,416	22,865	(7,449)
Landscape Maintenance	4,635	4,635	3,125	1,510
Building Improvements	3,000	3,000	86,623	(83,623)
Office Equipment	350	350	302	48
Office Furniture	2,300	2,300	1,457	843
Computer Equipment	3,000	3,000	5,966	(2,966)
Total Expenditures	<u>815,413</u>	<u>815,413</u>	<u>824,024</u>	<u>(8,611)</u>
Net Change in Fund Balance	50,978	50,978	74,472	23,494
Fund Balance - Beginning	<u>1,661,976</u>	<u>1,661,976</u>	<u>1,661,976</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 1,712,954</u>	<u>\$ 1,712,954</u>	<u>\$ 1,736,448</u>	<u>\$ 23,494</u>

HAMBURG TOWNSHIP LIBRARY
Notes to Financial Statements
June 30, 2018

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, 2018

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 9 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, 2018

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, 2018

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, 2018, the Library did not incur expenditures in excess of the amount appropriated.

HAMBURG TOWNSHIP LIBRARY
Notes to Financial Statements
June 30, 2018

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, 2018, the Library's book balance of its deposits was \$1,771,452, including \$565 of petty cash. The bank balance was \$1,773,371 which was exposed to custodial credit risk, as follows:

	<u>Bank Balance</u>
Insured by F.D.I.C.	\$ 750,000
Uninsured and Uncollateralized	<u>1,023,371</u>
Total	<u>\$ 1,773,371</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	\$ 1,021,816	Demand
Certificate of Deposit	\$ 751,555	198 days

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, 2018

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended June 30, 2018 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	\$ 193,714	\$ 84,565	\$ -	\$ 278,279
Computer Equipment	139,459	-	-	139,459
Library Collection Materials	941,803	29,109	-	970,912
	<u>1,274,976</u>	<u>113,674</u>	<u>-</u>	<u>1,388,650</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(82,956)	(22,431)	-	(105,387)
Computer Equipment	(96,492)	(17,484)	-	(113,976)
Library Collection Materials	(918,450)	(30,175)	-	(948,625)
	<u>(1,097,898)</u>	<u>(70,090)</u>	<u>-</u>	<u>(1,167,988)</u>
Capital Assets, Net	<u>\$ 177,078</u>	<u>\$ 43,584</u>	<u>\$ -</u>	<u>\$ 220,662</u>

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

Governmental Activities: Cultural-Library	<u>\$ 70,090</u>
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C. Long-Term Debt

The following is a summary of long-term debt transactions of the Library for the year ended June 30, 2018:

	<u>Balance July 1, 2017</u>	<u>Additional Debt Incurred</u>	<u>Retirements and Payments on Debt</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Governmental Activities:					
Compensated Absences	<u>\$21,258</u>	<u>\$ 9,062</u>	<u>\$ -</u>	<u>\$30,320</u>	<u>\$ -</u>

HAMBURG TOWNSHIP LIBRARY
Notes to Financial Statements
June 30, 2018

III. DETAILED NOTES ON ALL FUNDS – Continued

D. Fund Balance

A detailed description of fund balance classifications at June 30, 2018, is presented below:

<u>Fund Balance</u>	<u>General Fund</u>
Nonspendable (Prepaid Expenses)	\$ 11,400
Assigned:	
Building Capital Facilities	
Development	570,728
Programs and Services	
Development	400,000
Long Term Liabilities	30,320
Unassigned	<u>724,000</u>
Total Fund Balance	<u>\$1,736,448</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 2017 tax roll is as follows (tax rate per \$1,000 of assessed valuation):

				Less:		
				Required	Maximum	
<u>Source</u>	<u>Purpose</u>	<u>Date of</u>	<u>Maximum</u>	<u>Reductions</u>	<u>Allowable</u>	<u>Tax</u>
Voted	Operating	<u>Authorization</u>	<u>Authorized</u>	<u>(State Law)</u>	<u>Millage</u>	<u>Levy</u>
		8/2014	.8000 mil	.0088	.7866	.7866

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, 2018

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 \$21,413 for the four 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.

