

CHARTER TOWNSHIP OF MILFORD LIBRARY

FINANCIAL REPORT  
December 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Charter Township  
of Milford Library Board  
Highland, Michigan

We have audited the accompanying financial statements of the governmental activity of the Charter Township of Milford Library (the Library) as of and for the year ended December 31, 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.

**Auditors' Responsibility**

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

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

To the Highland Township  
Public Library Board

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activity of the Charter Township of Milford Library, as of December 31, 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 and budgetary comparison information on pages 3-7 and 21, respectively, 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.

*Bractley, Wagner & Co., P.C.*

Howell, Michigan  
April 24, 2017

CHARTER TOWNSHIP OF MILFORD LIBRARYMANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2016

(Unaudited)

Using this Annual Report

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Charter Township of Milford Library (the Library).

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method of accounting. These *Fund Financial Statements* focus on the current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method of accounting.
- The *Government-Wide Financial Statement* columns provide both *long-term* and *short-term* information about the Library's *overall* financial status. The Statement of Net Position and the Statement of Activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remain for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

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CHARTER TOWNSHIP OF MILFORD LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For the Year Ended December 31, 2016

(Unaudited)

Condensed Financial Information

The table below shows key financial information in a condensed comparative format:

	December 31, 2016	December 31, 2015
	<u>                    </u>	<u>                    </u>
Assets:		
Current assets	\$ 1,115,048	1,115,500
Capital assets, net	588,242	546,757
	<u>                    </u>	<u>                    </u>
Total Assets	1,703,290	1,662,257
	<u>                    </u>	<u>                    </u>
Liabilities:		
Current liabilities	101,178	42,972
	<u>                    </u>	<u>                    </u>
Deferred Inflows of Resources	478,364	513,017
	<u>                    </u>	<u>                    </u>
Net Position:		
Net investment in capital assets	588,242	546,757
Restricted	192,079	192,079
Unrestricted	343,427	367,432
	<u>                    </u>	<u>                    </u>
Total Net Position	\$ 1,123,748	1,106,268
	<u>                    </u>	<u>                    </u>
Revenues:		
Property taxes	\$ 952,412	913,835
Other	106,067	88,925
	<u>                    </u>	<u>                    </u>
Total Revenues	1,058,479	1,002,760
	<u>                    </u>	<u>                    </u>
Program Expenses:		
Library services/operations	1,040,999	985,010
	<u>                    </u>	<u>                    </u>
Change in Net Position	\$ 17,480	17,750
	<u>                    </u>	<u>                    </u>

CHARTER TOWNSHIP OF MILFORD LIBRARYMANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For the Year Ended December 31, 2016

(Unaudited)

The Library as a Whole

- The Library reports net position of \$1,123,748 and \$1,106,268 on a full accrual basis for the years ended December 31, 2016 and 2015, respectively, as compared to \$550,373 and \$582,014 on the modified accrual basis of accounting for the same periods.
- The Library's primary source of revenue is from property taxes. Total tax collections were \$952,412 and \$913,835 representing 90.0% and 91.1% of total revenues for the years ended December 31, 2016 and 2015, respectively.
- Wage related expenses including salaries and wages, payroll taxes, and employee benefits are the largest overall expenditure of the Library. These expenditures were \$586,559 and \$592,420 representing 56.3% and 60.1% of the Library's total expenditures on the full accrual basis of accounting for the years ended December 31, 2016 and 2015, respectively.
- Depreciation expense of \$115,319 and \$110,171 represents 11.1% and 11.2% of the Library's total expenditures on the full accrual basis of accounting for the years ended December 31, 2016 and 2015, respectively.
- Total expenditures were \$1,090,120 and \$988,402 for the years ended December 31, 2016 and 2015, respectively, under the modified accrual method of accounting.
- The Library's conversion to meet GASB 34 standards, which includes capitalization of Library-owned assets and associated depreciation expense, is reflected in the statement of net position and statement of activities on pages 8 and 9 of this financial report.

The Library's Fund

A presentation of the Library's General fund is included on pages 8 and 9 in the first column of the respective statements. The fund column provides detailed information about the fund on a modified accrual basis of accounting, which is a short-term perspective measuring the flow of financial resources, not the Library's operations on a full accrual basis of accounting, which provides a longer term measurement of total economic resources. The Library's only fund is the General Fund.

The fund balance decreased \$31,641 and increased \$16,776 during the years ended December 31, 2016 and 2015, respectively.

CHARTER TOWNSHIP OF MILFORD LIBRARYMANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For the Year Ended December 31, 2016

(Unaudited)

The Library board has designated funds to help manage money for specific purposes, such as future building and technology needs and to reserve donations received specifically for artwork in the Library.

Library Budgetary Highlights

Over the course of the year, the Library Board amended the budget to take into account events that occurred during the year. Amendments occurred in several revenue appropriations to more accurately reflect actual income.

Property tax revenue was adjusted as less than anticipated was collected due to incorrect information during the budgeting process. For the same reason, the budget for industrial facilities tax was increased. Grant revenue and expenditures were increased to reflect a grant received to install protective bollards around our materials return. Budgeted revenues were amended to reflect decreases in charges for services and fines and fees. Revenue for state penal fines was also increased to reflect actual amounts received. Interest income was decreased due to lower than expected interest.

Estimated expenditures for salaries and wages and benefits were adjusted downward due to lower costs in this area. Insurance and bonds were reduced due to lowered costs of property insurance. A new budget area was added to track expenses related to building and land improvements, such as sidewalk replacements completed during the year and heating and cooling control work initiated during the year. Furniture and fixtures was increased to reflect the addition of table lamps in the adult area and custom shelving for the teen area.

Professional services was increased to account for additional computer support hours necessary to keep our network running well. Automation was increased as Shared Automation System costs increased.

Capital Assets and Debt Administration

At the end of the fiscal year, the Library had approximately \$588,242 invested in building improvements, furniture and equipment, and books and materials. The Library added \$72,445 in new collection items consisting of new books, various audio/visual materials, and enhancement of the music collection.

It should be noted that the Library building itself is an asset of the Charter Township of Milford, and therefore, does not appear as an asset of the Library.

CHARTER TOWNSHIP OF MILFORD LIBRARYMANAGEMENT'S DISCUSSION AND ANALYSIS (Concluded)  
For the Year Ended December 31, 2016

(Unaudited)

The Library carries no long-term debt; debt related to the Library building bond is administered by Milford Township (see Note 4 in the Notes to Financial Statements).

Next Year's Budget and Millage Rates

The budget for fiscal year 2017 represents a decrease of approximately 1.8% over the original budget for fiscal year 2016. For 2017, the taxable value of the Township was reduced and the tax rate was rolled back slightly. In addition, State of Michigan changes to the Personal Property Tax had an impact on the budget and the ability to plan in advance for promised reimbursements.

The Library's total millage rate is 1.13 mills for the coming year. Based on the taxable value of the property in the Library's service area of \$830,250,130, this will generate approximately \$938,000 in property tax revenue.

Local property taxes account for just over 93% of budgeted library revenues.

Fund balance is not being used to balance the budget in 2017.

Anticipated major expenditures for fiscal year 2017 include completion of the buildings heating and cooling controls and replacement of several aging computers and network equipment. Funds for these expenditures will come from assigned fund balance.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, patrons, and donors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the director, Tina Hatch, at (248) 684-0845, extension 101 or by email at [thatch@milfordlibrary.info](mailto:thatch@milfordlibrary.info).



CHARTER TOWNSHIP OF MILFORD LIBRARY  
GOVERNMENTAL FUND BALANCE SHEET /  
STATEMENT OF NET POSITION  
DECEMBER 31, 2016

	General Fund, Modified Accrual Basis	Adjustments (Note 9)	Statement of Net Position
<b>Assets</b>			
Cash and investments (Notes 1 and 3)	\$ 418,459	-	418,459
Restricted cash and investments (Notes 1 and 3)			
Alta M. Tripp Endowment	27,579	-	27,579
Carlton Tripp Endowment	164,500	-	164,500
Property taxes receivable	478,364	-	478,364
Prepaid expenses	26,146	-	26,146
Capital assets (Note 4):			
Capital assets not being depreciated	-	57,035	57,035
Capital assets, net of depreciation	-	531,207	531,207
Total Assets	\$ 1,115,048	588,242	1,703,290
<b>Liabilities</b>			
Accounts payable	\$ 82,974	-	82,974
Accrued payroll	3,337	-	3,337
Accrued sick pay	-	14,867	14,867
Total Liabilities	86,311	14,867	101,178
<b>Deferred Inflows of Resources</b>			
Property tax revenue	478,364	-	478,364
<b>Fund Balance/Net Position</b>			
Fund balance:			
Nonspendable (Note 6)	218,225	(218,225)	-
Assigned (Note 6)	83,538	(83,538)	-
Unassigned (Note 6)	248,610	(248,610)	-
Total Fund Balance	550,373	(550,373)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 1,115,048		
<b>Net Position</b>			
Invested in capital assets		588,242	588,242
Restricted- nonexpendable (Note 7)		192,079	192,079
Unrestricted		343,427	343,427
Total Net Position		1,123,748	1,123,748

The notes to financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF MILFORD LIBRARY  
STATEMENT OF GOVERNMENTAL REVENUES,  
EXPENDITURES, AND CHANGES IN  
FUND BALANCE / STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2016

	General Fund, Modified Accrual Basis	Adjustments (Note 9)	Statement of Activities
Revenues:			
Property taxes	\$ 952,412	-	952,412
Industrial facilities tax	22,958	-	22,958
State penal fines	33,284	-	33,284
State aid	10,290	-	10,290
Charges for services- sales	3,780	-	3,780
Fines and fees	14,707	-	14,707
Grants	1,552	-	1,552
Contributions	5,271	-	5,271
Interest	5,445	-	5,445
Other income	8,780	-	8,780
	<u>1,058,479</u>	<u>-</u>	<u>1,058,479</u>
Expenditures:			
Salaries and wages	485,895	(7,636)	478,259
Payroll taxes	36,166	-	36,166
Employee benefits	72,134	-	72,134
Supplies	10,804	-	10,804
Collections maintenance	5,780	-	5,780
Professional services	33,818	-	33,818
The Library Network automation and services	65,515	-	65,515
Communications	3,710	-	3,710
Memberships and dues	1,752	-	1,752
Travel	593	-	593
Advertising and promotion	3,108	-	3,108
Postage	340	-	340
Grant	1,552	-	1,552
Insurance	12,648	-	12,648
Miscellaneous	24	-	24
Utilities	87,180	-	87,180
Education and training	323	-	323
Programming	7,628	-	7,628
Repairs and maintenance	99,054	-	99,054
Books	41,209	(41,209)	-
Periodicals	8,239	(8,239)	-
Audio/visual	13,358	(13,358)	-
Electronic resources	9,639	(9,639)	-
Building and land improvements	67,477	(67,477)	-
Furniture and fixtures	18,371	(17,635)	736
Equipment	3,803	(3,619)	184
Depreciation	-	115,319	115,319
Loss on capital asset deletions	-	4,372	4,372
	<u>1,090,120</u>	<u>(49,121)</u>	<u>1,040,999</u>
Excess of Revenues			
Over Expenditures/Change in Net Position	(31,641)	49,121	17,480
Fund Balance/Net Position - Beginning of Year	<u>582,014</u>	<u>524,254</u>	<u>1,106,268</u>
Fund Balance/Net Position - End of Year	<u>\$ 550,373</u>	<u>573,375</u>	<u>1,123,748</u>

The notes to financial statements are an integral part of this statement.

## CHARTER TOWNSHIP OF MILFORD LIBRARY

## NOTES TO FINANCIAL STATEMENTS

## Note 1. REPORTING ENTITY AND BASIS OF PRESENTATION

## Definition of the reporting entity:

The Charter Township of Milford Library (the Library) was established for the purpose of providing all residents of Milford Township with access to materials and services for information, education, culture, and recreation. The Library is governed by a six member board of trustees elected at large from Milford Township. The primary funding sources of the Library are property taxes, penal fines, and state aid.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting unit. Based on these criteria, there are no component units of the Library that are to be included in the reporting entity.

## Basis of presentation:

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The financial statements present the governmental fund financial statements on a modified accrual basis with an adjustment to present the government-wide financial statements on a full accrual basis.

## Fund financial statements:

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Library, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds which are maintained in accordance with the activities or objectives specified.

The financial activities of the Library are recorded in the following governmental fund:

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

## CHARTER TOWNSHIP OF MILFORD LIBRARY

## NOTES TO FINANCIAL STATEMENTS (Continued)

## Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accompanying financial statements are presented in conformity with accounting policies generally accepted in the United States of America (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The following is a summary of the significant accounting policies:

## Measurement focus/basis of accounting:

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting policies of the Charter Township of Milford Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

## Governmental fund financial statements:

The General Fund financial statements (i.e. the governmental fund balance sheet and the statement of governmental revenues, expenditures, and changes in fund balance) uses a financial resources measurement and focus and is accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose the Library considers revenues to be available if collected within 60 days of the end of the current fiscal period. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on long-term debt, which is recognized when due, and accrued vacation and sick leave, which is recorded when payable from current available financial resources. Adjustments are provided within the statements to reconcile and explain the differences in fund balance and changes in fund balance as presented in the balance sheet and statement of governmental revenues, expenditures, and changes in fund balance to the net position and change in net position as presented in the statement of net position and statement of activities.

## CHARTER TOWNSHIP OF MILFORD LIBRARY

## NOTES TO FINANCIAL STATEMENTS (Continued)

## Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## Government-wide financial statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. 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 are met. Expenses are recorded when liabilities are incurred.

## Use of estimates:

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

## Cash and cash equivalents:

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

## Deferred inflows of resources:

In addition to assets and liabilities, the statement of net position includes deferred inflows of resources. This amount represents an acquisition of net position that applies to a future period and, accordingly, will not be recognized as revenue until that time. The Library's deferred inflows of resources are related to property tax collections.

## Compensated absences (vacation and sick leave):

Vacation time that is unused at the end of the calendar year does not carry over to the following year. Up to 225 hours of sick time can be carried forward and used in future years. Upon termination, employees are paid half of their accumulated sick time. This portion is reported as accrued sick pay on the statement of net position.

## CHARTER TOWNSHIP OF MILFORD LIBRARY

## NOTES TO FINANCIAL STATEMENTS (Continued)

## Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## Capital assets:

Capital assets are recorded (net of accumulated depreciation) in the government-wide financial statements. The Library capitalizes assets with an initial cost of more than \$500, several similar assets with a combined initial cost of more than \$1,000, or items which do not fall under the previously mentioned criteria, but are mobile and/or highly susceptible to theft with an initial cost of more than \$200 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building improvements	10 years
Furniture and equipment	3-10 years
Library collections	10 years

## Fund equity:

In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable – resources which cannot be spent because they are either 1) not in spendable form or; 2) legally or contractually required to be maintained intact. For the Library nonspendable fund balance consists of prepaid expenses and endowment funds.

Restricted – resources with constraints placed on the use of resources which are either 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation.

Committed – resources which are subject to limitations the Library imposes upon itself at its highest level of decision making and that remain binding unless the limitations are removed in the same manner.

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

## CHARTER TOWNSHIP OF MILFORD LIBRARY

## NOTES TO FINANCIAL STATEMENTS (Continued)

## Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## Fund equity (concluded):

Unassigned – resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

## Fund balance classification policies and procedures:

For committed fund balance, the Library's highest level of decision-making authority is the Library Board of Trustees. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution by the Library Board of Trustees.

For assigned fund balance, the Library Board is authorized to assign amounts to a specific purpose. The authorization policy is a full vote and approval by the Library Board of Trustees.

When an expense is incurred for which both restricted and unrestricted net assets are available, the Library's policy is to apply restricted net assets first. The Library's asset spending order is as follows: nonspendable, restricted, committed, assigned, and unassigned.

The Library's minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts, equal to no less than three months of general fund operating expenditures. In the event that the balance drops below the established minimum level, the Board of Trustees will develop a plan to replenish the fund balance to the established minimum level within two years.

## Property taxes:

On December 1, the township levies and collects property taxes for the Library. The tax levies are due February 14, with the final collection date of February 28. As the Library tax is collected, it is remitted by the township treasurer. At March 1 each year, the township settles their respective delinquent taxes with the county treasurer and the unpaid real property tax is remitted to the Library by the county treasurer in Oakland County.

Property taxes are billed during the month of December and are used to finance the following year's operations. As such, these taxes are recorded as deferred inflows of resources at December 31.

## CHARTER TOWNSHIP OF MILFORD LIBRARY

## NOTES TO FINANCIAL STATEMENTS (Continued)

## Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

## Property taxes (concluded):

The 2016 total taxable value for the property within the township was \$832,370,764 on which ad valorem taxes of 1.1402 mills were levied.

## Budgets and budgetary accounting:

The annual budget is adopted by the Library Board prior to the beginning of the budgetary year. Subsequent amendments are approved by the Library Board. Unexpended appropriations lapse at year end. The Library does not use the encumbrance method of accounting for budgetary purposes. During the year, the budget was amended in a legally permissible manner.

Formal budgetary integration is employed as a management control device. The budget has been prepared on a modified accrual basis, which is in conformity with accounting principles generally accepted in the United States of America.

## Subsequent events:

Subsequent events were evaluated by management through April 24, 2017, which is the date the financial statements were available to be issued. In management's opinion, no subsequent events occurred which require disclosure.

## Note 3. DEPOSITS AND INVESTMENTS

The Library is authorized by Michigan Public Act 20 of 1943 (as amended) to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Library is allowed to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, banker's acceptances, mutual funds, and bank investment pools that are composed of authorized investment vehicles. The Library's deposits and investments are in accordance with statutory authority.

At December 31, 2016, the deposits and investments of the Library are classified by Governmental Accounting and Standards Board Statement No. 3 in the following categories:

Petty cash	\$ 898
Bank deposits - checking account	105,774
Bank deposits - certificates of deposit	395,106
Investments	<u>108,760</u>
Total	<u>\$610,538</u>



## CHARTER TOWNSHIP OF MILFORD LIBRARY

## NOTES TO FINANCIAL STATEMENTS (Continued)

## Note 3. DEPOSITS AND INVESTMENTS (Continued)

All of the \$108,760 in investments is invested in the Oakland County Local Government Investment Pool. This investment pool is not registered with the SEC and does not issue a separate report. The Oakland County Local Government Investment Pool is managed as a 2(a)7 fund with its net asset value maintained at \$1. The fair market value of the investment in this pool is the same as the value of the pool shares.

At year end, the Library had checking bank deposits of \$109,507. The difference of \$3,733 between the checking bank deposit balance and the carrying value of \$105,774 represents checks written but not yet cashed at year end.

## Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned. The Library does not have a deposit policy for custodial credit risk. All of the Library's checking account deposits are covered by federal depository insurance. At December 31, 2016, the Library had \$395,106 in certificates of deposit held by the Charter Township of Milford. Since these amounts are held by the Charter Township of Milford, the amount covered by federal depository insurance per financial institution is not determinable.

## Custodial credit risk of investments:

Custodial credit risk is the risk that in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library does not have a policy for custodial credit risk. The Library has not experienced a loss on investments due to brokerage house failure. Therefore, the Library considers its custodial credit risk of investments to be minimal.

## Credit risk:

State law limits investments in certain types of investments to a prime or better rating issued by national recognized statistical rating organizations (NRSROs). As of December 31, 2016, the Library did not have any investments subject to rating.

## Interest rate risk:

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Library does not have policy for interest rate risk.

## CHARTER TOWNSHIP OF MILFORD LIBRARY

## NOTES TO FINANCIAL STATEMENTS (Continued)

## Note 3. DEPOSITS AND INVESTMENTS (Concluded)

## Concentration of credit risk:

Although the Library does not have a specific policy that addresses concentration of credit risk, the Library's investment policy does list safety, diversification, liquidity and return on investment as primary objectives in order of priority. Probable safety of capital, as well as, possible income to be derived are also listed as objectives of the investment policy.

## Fair value:

Investments are measured at three different fair value levels; Level 1 measurements are based on quoted prices in active markets for identical assets; Level 2 measurements are based on other observable inputs; and Level 3 measurements are based on significant unobservable inputs. All of the Organization's investments are considered Level 1 assets.

## Note 4. CAPITAL ASSETS

A summary of changes in capital assets during the year ended December 31, 2016 follows:

	January 1, 2016	Additions	Deletions	December 31, 2016
Capital assets not being depreciated:				
Land	\$ 57,035	-	-	57,035
Capital assets being depreciated:				
Building improvements	128,354	67,477	-	195,831
Furniture and equipment	827,018	21,254	(258,340)	589,932
Library collections	870,316	72,445	(4,993)	937,768
	<u>1,825,688</u>	<u>161,176</u>	<u>(263,333)</u>	<u>1,723,531</u>
Less accumulated depreciation:				
Building improvements	(70,900)	(8,707)	-	(79,607)
Furniture and equipment	(788,038)	(21,114)	253,969	(555,183)
Library collections	(477,028)	(85,499)	4,993	(557,534)
	<u>(1,335,966)</u>	<u>(115,320)</u>	<u>258,962</u>	<u>(1,192,324)</u>
Net capital assets being depreciated	<u>489,722</u>	<u>45,856</u>	<u>(4,371)</u>	<u>531,207</u>
Capital assets, net	<u>\$ 546,757</u>	<u>45,856</u>	<u>(4,371)</u>	<u>588,242</u>

## CHARTER TOWNSHIP OF MILFORD LIBRARY

## NOTES TO FINANCIAL STATEMENTS (Continued)

## Note 5. LEASE AGREEMENT

During the year ended December 31, 2004, the Library entered into an operating lease agreement with the Township of Milford for the building and the grounds on which the Library is located. Under the terms of the 30-year agreement for the building and 90-year agreement for the grounds, rent under the lease is \$1 per year. The Township will retain all ownership rights of the Library building.

## Note 6. FUND BALANCE

The Library has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balance classifications are based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

Nonspendable:	
Prepays	\$ 26,146
Endowment funds	192,079
	<u>218,225</u>
Assigned:	
Tax appeals	5,000
Art sculpture	2,000
Building improvements	49,019
Technology improvements	13,367
Collections development	5,000
Staff development	5,000
Special youth projects	4,152
	<u>83,538</u>
Unassigned	<u>248,610</u>
Total fund balance	<u>\$ 550,373</u>

## Note 7. RESTRICTED NET POSITION

The Library's restricted net position of \$192,079 was permanently restricted for endowment funds at December 31, 2016.

## CHARTER TOWNSHIP OF MILFORD LIBRARY

## NOTES TO FINANCIAL STATEMENTS (Continued)

## Note 8. RETIREMENT PLAN

The Library provides retirement benefits through a defined contribution 401(a) plan to all full-time employees who have performed at least three years of service with the Library. Part-time employees, eligible under the previous plan, as of 2014, were grandfathered in and continue to be eligible. In a 401(a) plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Library Board has established a policy that the amount of employer contributions, if any, to the retirement plan will be determined annually. As established by the Library's Board, for 2016, the Library contributed 3 percent of eligible employees' gross earnings. In accordance with these requirements, the Library contributed \$12,896 during the current year. The Library's contributions for each employee are fully vested immediately.

## Note 9. RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions and workers' compensation. The Library has purchased commercial insurance for medical benefits claims, and participates in the Michigan Townships Participating Plan for claims relating to property loss, torts, and errors and omissions; the Library is uninsured for unemployment compensation claims. The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

## Note 10. RECONCILIATION of FUND FINANCIAL STATEMENTS to GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Library's governmental fund differs from the net position and change in net position of the governmental activities reported in the statement of net position and statement of activities. This difference primarily results from the long-term economic focus of the statement of net position and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of governmental revenues, expenditures, and change in fund balance. The following are reconciliations of fund balance to net position and the net change in fund balance to the change in net position:

## CHARTER TOWNSHIP OF MILFORD LIBRARY

## NOTES TO FINANCIAL STATEMENTS (Concluded)

## Note 10. RECONCILIATION of FUND FINANCIAL STATEMENTS to GOVERNMENT-WIDE FINANCIAL STATEMENTS (Concluded)

Total fund balance - governmental fund	\$ 550,373
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets are not financial resources and therefore are not reported in the governmental fund.	588,242
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Accrued sick pay is not due and payable in the current period and therefore is not reported in the governmental fund.	<u>(14,867)</u>
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Net position of governmental activities	<u>\$ 1,123,748</u>
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Net change in fund balance- governmental fund	\$ (31,641)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Capital assets purchased	161,176
Depreciation expense	(115,319)
Loss on capital asset deletions	(4,372)

Accrued unemployment related to State of Michigan unemployment benefits paid to a former employee during 2015 that were reimbursed by the Library during 2016.	7,240
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Accrued sick pay does not require the use of current financial resources and therefore the adjustments to accrued sick pay are not included.	<u>396</u>
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Change in net position of governmental activities	<u>\$ 17,480</u>
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CHARTER TOWNSHIP OF MILFORD LIBRARY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2016

(Unaudited)

	Original Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
<b>Revenue</b>				
Property taxes	\$ 960,000	951,960	952,412	452
Industrial facilities tax	2,500	22,900	22,958	58
State penal fines	20,000	33,000	33,284	284
State aid	9,000	10,290	10,290	-
Charges for services- sales	4,400	3,750	3,780	30
Fines and fees	16,000	14,400	14,707	307
Grants	-	1,552	1,552	-
Contributions	6,000	5,140	5,271	131
Interest	8,000	5,000	5,445	445
Other income	7,000	8,700	8,780	80
<b>Total Revenues</b>	<u>1,032,900</u>	<u>1,056,692</u>	<u>1,058,479</u>	<u>1,787</u>
<b>Expenditures</b>				
Salaries and wages	495,500	487,224	485,895	1,329
Payroll taxes	37,910	37,910	36,166	1,744
Employee benefits	87,560	72,560	72,134	426
Supplies	11,000	12,000	10,804	1,196
Collections maintenance	6,800	6,800	5,780	1,020
Professional services	29,290	38,790	33,818	4,972
The Library Network automation and services	65,270	70,270	65,515	4,755
Communications	3,900	3,900	3,710	190
Memberships and dues	1,500	1,800	1,752	48
Travel	1,000	1,000	593	407
Advertising and promotion	3,050	3,050	3,108	(58)
Postage	500	500	340	160
Grant expenditures	-	1,552	1,552	-
Insurance	13,100	12,700	12,648	52
Miscellaneous	64	84	24	60
Utilities	87,500	87,500	87,180	320
Education and training	1,500	500	323	177
Programming	8,000	8,200	7,628	572
Repairs and maintenance	98,000	101,000	99,054	1,946
Books	42,600	42,700	41,209	1,491
Periodicals	8,000	8,300	8,239	61
Audio/visual	16,056	14,556	13,358	1,198
Electronic resources	10,300	9,700	9,639	61
Building and land improvements	-	68,000	67,477	523
Furniture and fixtures	-	18,600	18,371	229
Equipment	4,500	4,500	3,803	697
<b>Total Expenditures</b>	<u>1,032,900</u>	<u>1,113,696</u>	<u>1,090,120</u>	<u>23,576</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(57,004)	(31,641)	25,363
Fund Balance - Beginning of Year	<u>582,014</u>	<u>582,014</u>	<u>582,014</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 582,014</u>	<u>525,010</u>	<u>550,373</u>	<u>25,363</u>