PLYMOUTH DISTRICT LIBRARY
Wayne County, Michigan

AUDITED FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2004

Michigan Deptartment of Treasury
496 (2-04)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type	Local Government Name	County
☐ City ☐ Township ☐ Village ☑ Other	Plymouth District Library	Wayne

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
12/31/04	2/9/05	4/18/05

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

☐ Yes ☑ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

☐ Yes ☑ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).

☐ Yes ☑ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).

☐ Yes ☑ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.

☐ Yes ☑ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).

☐ Yes ☑ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.

☐ Yes ☑ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).

☐ Yes ☑ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

☐ Yes ☑ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)			
Post, Smythe, Lutz & Ziel, LLP			
Street Address	City	State	ZIP
1034 West Ann Arbor Trail	Plymouth	MI	48170
Accountant Signature: David R. Wilkin CPA		Date: 4.18.05	

PLYMOUTH DISTRICT LIBRARY
For the Year Ended December 31, 2004

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FINANCIAL SECTION

POST, SMYTHE, LUTZ AND ZIEL LLP

Certified Public Accountants

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Independent Auditor's Report

February 9, 2005

To the Board of Trustees
Plymouth District Library
Wayne County, Michigan

We have audited the accompanying financial statements of the governmental activities, and each major fund of Plymouth District Library as of and for the year ended December 31, 2004 which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Plymouth 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Plymouth District Library as of December 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Library has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of December 31, 2004.

The management's discussion and analysis 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 required 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 Plymouth District Library's basic financial statements. The accompanying required supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The required supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

Post, Smythe, Lutz & Ziel

POST, SMYTHE, LUTZ and ZIEL LLP
Certified Public Accountants

As management of Plymouth District Library, we offer readers of Plymouth District Library's financial statements this narrative overview and analysis of the financial activities of Plymouth District Library for the fiscal year ended December 31, 2004.

Financial Highlights

- The assets of Plymouth District Library exceeded its liabilities at the close of the most recent fiscal year by $7,663,804 (*net assets*). Of this amount, $5,197,329 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, Plymouth District Library's governmental funds reported combined ending fund balances of $5,214,513, an increase of $274,229 in comparison with the prior year. Nearly all of this total amount, $5,197,329 is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was $5,197,329.
- Plymouth District Library's total debt decreased by $313,330 (5 percent) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Plymouth District Library's basic financial statements. Plymouth District Library's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary 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 Plymouth District Library's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Plymouth District 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 Plymouth District Library is improving or deteriorating.

The *statement of activities* presents information showing how the government'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., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Plymouth District Library that are principally supported by taxes and intergovernmental revenues (*governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities)*. The governmental activities of Plymouth District Library are limited to operating the Library. The District Library has no business-type activities.

The government-wide financial statements can be found on pages 9 and 10 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. Plymouth District Library, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Plymouth District Library can be divided into two categories: governmental funds and fiduciary funds.

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 a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

Plymouth District Library maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Debt Service Fund which are considered to be major funds.

Plymouth District Library adopts an annual appropriated budget for its general fund, and a budgetary comparison statement has been provided to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Plymouth District Library's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 14 and 15 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 16-28 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Plymouth District Library, assets exceeded liabilities by $7,663,804 at the close of the most recent fiscal year.

	Governmental	
	2004	2003
Current and Other Assets	$ 6,869,557	$ 6,534,110
Capital Assets	8,155,997	8,261,665
Total Assets	15,025,554	14,795,775
Long-term Liabilities	5,706,706	6,020,036
Other Liabilities	1,655,044	1,593,826
Total Liabilities	7,361,750	7,613,862
Net Assets:		
Invested in Capital Assets		
net of related debt	2,449,291	2,241,629
Restricted	17,184	108,074
Unrestricted	5,197,329	4,832,210
Total Net Assets	$ 7,663,804	$ 7,181,913

A significant portion of Plymouth District Library's net assets (32 percent) reflects its investment in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that are still outstanding. Plymouth District Library used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Plymouth District Library's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of Plymouth District Library's net assets (.2%) represents resources that are subject to external restrictions on how they may be used. The remaining, and largest portion of *unrestricted net assets* ($5,197,329) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Plymouth District Library is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

The government's net assets increased by $481,891 during the current fiscal year as shown in the table below, which will be comparative in fiscal year ending 2005:

Program Revenues:	
Charges for Services	$ 103,043
Operating Grants & Contributions	148,928
General Revenues:	
Property Taxes	3,835,251
Unrestricted Investment Earnings	64,613
Total Revenues	4,151,835
Program Expenses	
Public Library	3,347,627
Interest on Long-Term Debt	322,317
Total Expenses	3,669,944
Change in Net Assets	$ 481,891

Governmental activities. Governmental activities increased Plymouth District Library's net assets by $274,229 due to the following:

- Operating revenues exceed normal operating expenses. The District Library Board adopted the 2004 budget anticipating operating surpluses, which have been designated for major renovations to the building. The accumulated total of these designated funds is $1,917,000 at December 31, 2004.

- Restricted gifts were transferred to the Community Foundation for Southeast Michigan for the benefit of the Plymouth District Library which reduced fund equity by $166,015.

- State revenue payments – as discussed in the notes to the financial statements, the Library did not receive $97,217 in State Revenue Sharing "pass through" from Plymouth Township. The Library believes the revenues were due and will pursue collection; however, as they are not "available", they have not been reflected in the governmental funds as revenue.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of Plymouth District Library's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Plymouth District 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, Plymouth District Library's governmental funds reported combined ending fund balances of $5,214,513, an increase of $274,229 in comparison with the prior year. Nearly all of this total amount ($5,197,329) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to pay debt service ($17,184).

The general fund is the operating fund of Plymouth District Library. At the end of the current fiscal year, unreserved fund balance of the general fund and the total fund balance was $5,197,329.

Operating results for the governmental funds were discussed earlier in the "Governmental Activities" section.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were $150,915, and represented minor changes to the original spending plan, and budgeting for the transfers of restricted gifts($166,015) noted earlier.

Capital Asset and Debt Administration

Capital assets. Plymouth District Library's investment in capital assets for its governmental activities as of December 31, 2004, amounted to $8,155,997 (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, and equipment. No major capital asset events occurred during the current fiscal year.

Details to the District's capital assets are continued in the notes to the financial statements.

Long-term debt. At the end of the current fiscal year, Plymouth District Library had total long term debt outstanding of $5,706,706 all of which comprises debt backed by the full faith and credit of the government. During 2004, the District advance refunded the majority of its long term debt, which is discussed in detail notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

While unemployment in the State of Michigan remains high, and the State's budget is under pressure, the Library expects to collect similar revenues from the State of Michigan, pending the resolution of the "pass through" revenues from Plymouth Township, discussed earlier. These factors were considered in preparing Plymouth District Library's budget for the 2005 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Plymouth District 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 Plymouth District Library Director.

BASIC FINANCIAL STATEMENTS

PLYMOUTH DISTRICT LIBRARY
Statement of Net Assets
December 31, 2004

		Governmental Activities
ASSETS		
Cash and Cash Equivalents	$	6,700,759
Due from Other Governmental Units		97,216
Prepaid Expenditures		71,582
Capital Assets (Net of Accumulated Depreciation)		8,155,997
Total Assets		15,025,554
LIABILITIES		
Accounts Payable		44,093
Accrued Liabilities		59,567
Deferred Revenue		1,551,384
Noncurrent Liabilities:		
Due within one year		465,000
Due in more than one year		5,241,706
Total Liabilities		7,361,750
NET ASSETS		
Invested in Capital Assets, net of related debt		2,449,291
Restricted for:		
Debt Service		17,184
Unrestricted		5,197,329
Total Net Assets	$	7,663,804

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

PLYMOUTH DISTRICT LIBRARY
Statement of Activities
For the Year Ended December 31, 2004

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Primary Government:				
Governmental Activities:				
Public Library	$ 3,347,627	$ 103,043	$ 148,928	$ (3,095,656)
Interest on Long-Term Debt	322,317	-	-	(322,317)
Total Governmental Activities	$ 3,669,944	$ 103,043	$ 148,928	(3,417,973)

General Revenues:	
Property Taxes	3,835,251
Unrestricted Investment Earnings	64,613
Total General Revenues and Transfers	3,899,864
Change in Net Assets	481,891
Net Assets - Beginning	7,181,913
Net Assets - Ending	$ 7,663,804

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

PLYMOUTH DISTRICT LIBRARY
Balance Sheet
Governmental Funds
December 31, 2004

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	$ 6,696,501	$ 4,258	$ 6,700,759
Due from Other Funds	-	16,926	16,926
Due from Other Governmental Units	97,216	-	97,216
Prepaid Expenditures	71,582	-	71,582
Total Assets	$ 6,865,299	$ 21,184	$ 6,886,483
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts Payable	$ 44,093	$ -	$ 44,093
Accrued and Other Liabilities	55,567	4,000	59,567
Due to Other Funds	16,926	-	16,926
Deferred Revenue	1,551,384	-	1,551,384
Total Liabilities	1,667,970	4,000	1,671,970
Fund Balances:			
Reserved for:			
Debt Service	-	17,184	17,184
Unreserved for:			
Capital Projects	6,829	-	6,829
Operating	186,000	-	186,000
General Fund	323,575	-	323,575
Facilitiy	450,400	-	450,400
Technology	100,000	-	100,000
Major Renovations	1,917,000	-	1,917,000
Undesignated	2,213,525	-	2,213,525
Total Fund Balances	5,197,329	17,184	5,214,513
Total Liabilities and Fund Balances	$ 6,865,299	$ 21,184	

Amounts reported for governmental activities in the statement of net assets are difference because:	
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,155,997
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(5,706,706)
Net Assets of Governmental Activities	$ 7,663,804

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

PLYMOUTH DISTRICT LIBRARY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General Fund	Debt Service Fund	Total Governmental Funds
Revenues			
Property Taxes	$ 3,160,081	$ 675,170	$ 3,835,251
State Shared Revenues	47,257	-	47,257
Penal Fines	51,743	-	51,743
Book Fines and Rentals	81,091	-	81,091
Interest	60,356	4,257	64,613
Other	71,880	-	71,880
Total Revenues	3,472,408	679,427	4,151,835
Expenditures			
Current:			
Public Library	2,799,654	-	2,799,654
Debt Service:			
Principal	-	350,000	350,000
Interest and Other Charges	-	322,317	322,317
Capital Outlay	256,803	-	256,803
Total Expenditures	3,056,457	672,317	3,728,774
Excess (Deficiency) of Revenues Over Expenditures	415,951	7,110	423,061
Other Financing Sources (Uses)			
Transfers In	-	10,000	10,000
Transfers Out	(10,000)	-	(10,000)
Transfer to VEBA	(40,832)	-	(40,832)
Proceeds of Long Term Debt	-	5,260,000	5,260,000
Payment to Refunded Debt Escrow Agent	-	(5,368,000)	(5,368,000)
Total Other Financing Sources and Uses	(50,832)	(98,000)	(148,832)
Net Change in Fund Balances	365,119	(90,890)	274,229
Fund Balances - Beginning	4,832,210	108,074	4,940,284
Fund Balances - Ending	$ 5,197,329	$ 17,184	$ 5,214,513

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

PLYMOUTH DISTRICT LIBRARY
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2004

Amounts reported for governmental activities in the statement of activities (page 10) are different because:

Net change in fund balances - total governmental funds (page 12)	$	274,229
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 depreciation exceeded capital outlays in the current period.		(105,668)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		313,330
Change in net assets in governmental activities (page 10)	$	481,891

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

PLYMOUTH DISTRICT LIBRARY
Statement of Postemployment Healthcare Plan Net Assets-VEBA Trust
December 31, 2004

ASSETS	
Cash and Cash Equivalents	$ 15,714
Investments, at Fair Value:	
Common Stock	261,504
Corporate Bonds	143,342
Total Assets	$ 420,560
LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts Payable	$ -
Net Assets:	
Held in Trust for Post Employment Healthcare Benefits	420,560
Total Liabilities and Net Assets	$ 420,560

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

PLYMOUTH DISTRICT LIBRARY
Statement of Changes in Postemployment Healthcare Plan Net Assets-VEBA Trust
For the Year Ended December 31, 2004

Additions:	
Interest and Dividends	$ 9,337
Employer Contributions	40,832
Unrealized Appreciation on Securities	26,116
Total Additions	76,285
Deductions:	
Administrative Expenses	5,776
Net Increase in Plan Assets	70,509
Net Assets - Beginning of Year	350,051
Net Assets - End of Year	$ 420,560

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The District was established by the approval of the voters of Plymouth Township and the City of Plymouth in a special election held September 10, 1985. The District was formed under the authority of Public Act 164, of 1955. The District provides public library services to the residents of the Community.

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity," the financial statements of the Plymouth District Library contain all the District's funds and authorities for which the District is financially accountable and the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete.

B. 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 all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

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*.

Separate financial statements are provided for governmental funds and fiduciary fund, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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*, as are the fiduciary fund financial statements. 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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.

Property taxes, 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 the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The Library has no non major funds.

Fiduciary Fund

Fiduciary Funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary funds include the following fund type:

VEBA Trust Fund-accounts for the activities of the employee benefit plan that accumulates resources for certain post employment benefit payments to qualified employees.

Restricted Resources

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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 Assets 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.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. non-current portion of interfund loans) .

All trade and property tax receivables are shown net of allowances for uncollectible accounts, which are recorded at $-0- at December 31, 2004.

3. Capital Assets

Capital assets, which include property and equipment, are reported 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 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities and Net Assets or Equity - Continued

3. Capital Assets - Continued

Property and equipment of the Plymouth District Library are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	15-30
Equipment	3-20

4. Compensated Absences

The District Library Board amended the employee manual during 2002 to allow full and part time employees to accumulate specific amounts of vacation time, under terms and conditions set by the policy manual. In accordance with Governmental Accounting Standards Board Statement No. 16, accumulated unpaid vacation, sick pay and other employee benefit amounts are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only when they have matured or come due for payment. The total liability is recorded in the Statement of Net Assets. Management has determined that the total liability at December 31, 2004 is $46,706.

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets.

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet And the Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this $5,706,706 difference are as follows:

General Obligation Bonds Payable	$5,660,000
Compensated Absences Payable	46,706
	$5,706,706

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "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." The details of this $(105,668) difference are as follows:

Capital Outlay	$ 241,400
Depreciation Expense	(347,068)
	$(105,668)

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $313,330 difference are as follows:

Principal Repayments	$ 350,000
Principal Deemed Paid by In Substance Defeasance	5,235,000
Less: Proceeds of Long Term Debt	(5,260,000)
Compensated Absences Increase	(11,670)
	$ 313,330

III. 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:

a. Budgets must be adopted for the General Fund.
b. Budgets must be balanced.
c. Budgets must be amended as necessary.
d. Public hearings must be held prior to adoption.
e. Expenditures cannot exceed budget appropriations.
f. Expenditures must be authorized by a budget appropriation prior to being incurred.

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

1. Prior to December 1 the Library Director submits to the District Library Board the proposed operating budgets for the fiscal year commencing the following January 1. The operating budgets include proposed expenditures and the means of financing them, for the General Fund.
2. Public hearings are conducted at the Library to obtain taxpayer comments.
3. Prior to December 31, the budgets are legally enacted at the activity level for the General Fund.
4. Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
5. Budget appropriations lapse at year end.
6. The Library does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds.
7. Budgeted amounts are reported as originally adopted, or as amended by the District Library Board.

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

The Library has no funds with accumulated fund balance deficits.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

During the year ended December 31, 2004, the Library did not incur expenditures in excess of the amounts appropriated.

IV. 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.

Deposits (cash and certificates of deposit) are carried at cost which approximates market value. The carrying amount of deposits along with imprest cash of $1,395 are separately displayed on the balance sheets as "Cash and Cash Equivalents".

The carrying amount of the Library's deposits with financial institutions at December 31, 2004 was $6,699,364 and the bank balance was $6,724,984 categorized as follows:

	Bank Balance
Insured by F.D.I.C.	$ 168,985
Uninsured and Uncollateralized	6,555,999
Total	$6,724,984

Investments – VEBA are made in accordance with P.A. 55, of 1982 as amended, and are limited to no more than 70% in common stock. No investments, loans or leases are with parties related to the VEBA. In accordance with GASB Statement No.3 (as amended), investments are also classified into three categories of risk; all of the VEBA investments are "Category 2", which is uninsured, unregistered, with securities held by the counter party's trust department in the VEBA's name.

IV. DETAILED NOTES ON ALL FUNDS - Continued

B. Capital Assets

Capital asset activity for the year ended December 31, 2004 was as follows:

Governmental Activities:	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, not depreciated:				
Land	$ 765,210	$ -	$ -	$ 765,210
Capital Assets, being depreciated:				
Building and Improvements	7,904,983	69,100	-	7,974,083
Equipment	432,379	83,458	(22,400)	493,437
Furniture and Fixtures	789,363	88,842	-	878,205
	9,126,725	241,400	(22,400)	9,345,725
Less: Accumulated Depreciation:				
Building and Improvements	939,372	168,075	-	1,107,447
Equipment	243,592	95,615	(22,400)	316,807
Furniture and Fixtures	447,306	83,378	-	530,684
	1,630,270	347,068	(22,400)	1,954,938
Governmental Activities Capital Assets, net	$ 8,261,665	$ (105,668)	$ -	$ 8,155,997

Depreciated expense was charged to functions of the Library as follows:

Public Library	$ 347,068

C. Long-Term Debt

The following is a summary of long-term debt transactions of the Library for the year ended December 31, 2004:

	Balance January 1,	Additions	Reductions	Balance December 31,	Balance Within 1 Year
Gov. Activities:					
G.O. Bonds	$ 5,985,000	$ 5,260,000	$ 5,585,000	$ 5,660,000	$ 465,000
Comp. Absences	35,036	11,670	-	46,706	-
	$ 6,020,036	$ 5,271,670	$ 5,585,000	$ 5,706,706	$ 465,000

Note-reductions of debt included:	
Repayments	$ 350,000
1996 Library Facility Bonds Defeased	5,235,000
	$ 5,585,000

IV. DETAILED NOTES ON ALL FUNDS - Continued

C. Long Term Debt – Continued

The following is a summary of general obligation debt outstanding (excluding compensated absences) of the Library as of December 31, 2004:

	Number of Issues	Interest Rate	Maturing Through	Principal Outstanding
Governmental Activities:				
General Obligation Bonds	2	2.00%-4.75%	2019	$ 5,660,000

The annual debt service requirements to maturity for debt outstanding as of December 31, 2004 are as follows:

	Governmental Activities	
Year Ended	Principal	Interest
2005	$ 465,000	$ 203,144
2006	455,000	196,350
2007	465,000	184,975
2008	475,000	172,188
2009	475,000	157,938
2010-2014	2,375,000	530,219
2015-2016	950,000	67,688
	$ 5,660,000	$ 1,512,502

On November 1, 2004, the Plymouth District Library, issued the Unlimited Tax 2004 Refunding Bonds of $5,260,000 with interest rates ranging from 2.0-4.75% to advance refund the Library's obligations remaining on the 1996 Library Facility Bonds, with interest rates ranging from 5.05-7.550% and principal outstanding of $5,635,000. The Unlimited Tax 2004 Refunding Bonds were issued at a premium of $173,860 and after paying issuance costs of $52,502, the net proceeds were $5,531,358. This amount along with $108,000 in the District's Debt Service Fund, were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments on the existing debt.

The advance refunding met the requirements of an in-substance debt defeasance and the 1996 Library Facility Bonds (except for the 2005 principal payment not defeased) were removed from the Library's financial statements.
As a result of the advance refunding, the Library decreased its total debt service requirements by $262,485, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $205,018.

IV. DETAILED NOTES ON ALL FUNDS - Continued

D. Property Taxes

Property taxes are assessed as of each December 31. The Library tax levy is billed on July 1 of the following year, and payable in eight installments through February. Taxes are considered delinquent on March 1, at which time the applicable property is subject to lien and penalty and interest is assessed. The maximum authorized operating levy for the Library is as follows:

Type	Source of Authorization	Original Authorization	Maximum Authorization After "Roll Back"	Amount Levied
Operating	Vote: 11-85	.8000	.6422	.6422
Operating	Vote: 11-87	.4000	.3325	.3325
Operating	Vote: 11-94	.5000	.4909	.4909
	Total			1.4656
Debt	Vote: 11-94	-	-	.3182
				1.7838

V. OTHER INFORMATION

A. Employee Retirement Systems and Plans

1. Municipal Employees Retirement System Defined Benefit Plan

a. Plan Description

The Plymouth District Library participates in the Municipal Employees Retirement System (MERS), a multiple employer state-wide, public employee defined benefit pension plan created under Public Act 135 of 1945, and now operates under Public Act 220 of 1996, and the MERS Plan Document as revised. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefits provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

V. OTHER INFORMATION - Continued

A. Employee Retirement Systems and Plans - Continued

1. Municipal Employees Retirement System Defined Benefit Plan - Continued

b. Funding Policy

The plan adopted by the District Library Board requires no member contributions. The Library is required to contribute at an actuarially determined rate; the rate for 2004 was 14.24%. The contribution requirements of plan members and the Library are established and may be amended by the Library, depending on the MERS contribution program adopted by the Library.

c. Annual Pension Costs

For fiscal year 2004, the Library's annual pension cost of $103,716 for MERS was equal to the Library's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0% and (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation. The actuarial value of MERS assets was determined on the basis of an evaluation method that assumes the funds earn the expected rate of return and adjustments to reflect market value. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years.

Three-Year Trend Information

Fiscal Year Ended Dec. 31	Annual Pension Costs (APC)	Percentage of APC Contribution	Net Pension Obligation
2002	$ 64,288	100%	$ -
2003	69,850	100%	-
2004	103,716	100%	-

2. Voluntary Employees Beneficiary Association (VEBA)

The Plymouth District Library Voluntary Employees Beneficiary Association (VEBA; the "Plan") is a single-employer defined benefit post employment healthcare plan established by Plymouth District Library to provide medical and healthcare benefits for retirees and their beneficiaries. Eligible participants include any retirees who receive pension benefits under the Plymouth District Library's pension plans. Plan provisions are established and may be amended by the Plymouth District Library Board of Trustees.

V. OTHER INFORMATION - Continued

A. Employee Retirement Systems and Plans - Continued

2. Voluntary Employees Beneficiary Association (VEBA) - Continued

The Plan is funded by a trust agreement established pursuant to Section 501(c)(9) of the Internal Revenue Code which allows for the formation of a VEBA.

Subject to certain age and length of service requirements, eligible participants receive the same medical insurance coverage under the Plan as was in effect at the time of their employment. At such time that participants become Medicare eligible, the benefits under the Plan change to Medicare Supplemental coverage.

Employer contributions to fund the Plan were based on an actuarial valuation and totaled $40,832 for the Plan year 2004. Although an actuarial valuation of the Plan was completed during 2002, the Plymouth District Library has determined that it will establish an annual employer contribution rate using the actuarial valuation as a reference, but not as a definitive requirement.

B. Risk Management

The Library is a member of the Michigan Municipal Liability and Property Pool for its general liability coverage and a member of the Michigan Municipal Workers Compensation Fund for its workers compensation coverage. Both pools are sponsored by the Michigan Municipal League. The Library 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 the Library and the pools to which it belongs in any of the past three fiscal years.

C. Property Tax Litigation

District taxpayers are in litigation over tax assessments. Utility companies who have appealed tax assessments for 1997-2003 claiming that the State Tax Commission revised depreciation tables adopted in 1999 had a retroactive effect. Also, other cases have been litigated, which the District has received notification that the taxpayer(s) have prevailed. While the ultimate outcome of these cases cannot be determined, management has concluded (based on

V. OTHER INFORMATION - Continued

C. Property Tax Litigation - Continued

information provided by local assessors) that a recognition of losses are likely in future years. While the exact amount of this loss is not known, a reasonable estimate based on information currently available is approximately $28,000.

D. State Revenue Sharing

Plymouth Township has not paid the "pass through" State Revenue Sharing amounts in 2004, nor in 2005. These annual "pass through" amounts are $97,217, and represent revenues received by the Township and payable to the District Library annually as required by MCL 141.912a. The Library is pursuing collection, however, since the revenues are not "available" they have not been reflected as current resources.

REQUIRED SUPPLEMENTARY INFORMATION

PLYMOUTH DISTRICT LIBRARY
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2004

	General Fund			
	Original Budget	Final Budget	Actual	Variance-Favorable (Unfavorable)
Revenues:				
Property Taxes	$ 3,031,500	$ 3,144,000	$ 3,160,081	$ 16,081
State Shared Revenues	141,000	141,000	47,257	(93,743)
Penal Fines	43,000	51,500	51,743	243
Book Fines and Rentals	69,800	77,100	81,091	3,991
Interest	55,000	59,000	60,356	1,356
Other	15,000	68,500	71,880	3,380
Total Revenues	3,355,300	3,541,100	3,472,408	(68,692)
Expenditures:				
Salaries	1,310,500	1,308,000	1,299,891	8,109
Payroll Taxes and Fringe Benefits	275,200	288,500	289,639	(1,139)
Books and Supplies	568,600	585,000	560,608	24,392
Contractual Services	201,100	208,000	206,028	1,972
Telephone and Utilities	149,000	141,000	137,681	3,319
Insurance	41,000	42,500	42,161	339
Repairs and Maintenance	35,000	25,000	19,608	5,392
Capital Outlay	836,700	819,600	256,803	562,797
Other	98,200	248,615	244,038	4,577
Total Expenditures	3,515,300	3,666,215	3,056,457	609,758
Excess (Deficiency) of Revenues Over Expenditures	(160,000)	(125,115)	415,951	541,066
Other Financing Uses:				
Transfer to VEBA	-	(40,900)	(40,832)	68
Transfer Out	-	-	(10,000)	(10,000)
Total Other Financing Uses	-	(40,900)	(50,832)	(9,932)
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Uses	$ (160,000)	$ (166,015)	365,119	$ 531,134
Fund Balance, January 1			4,832,210	
Fund Balance, December 31			$ 5,197,329	

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

PLYMOUTH DISTRICT LIBARAY
Required Supplementary Information – (Unaudited)
Defined Benefit Pension Plans – Trend Information
For the Year Ended December 31, 2004

Municipal Employees Retirement System
Schedule of Funding Progress

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Underfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
12/31/97	$ 508,215	$543,940	$ 35,725	93%	$341,801	10%
12/31/98	613,352	711,420	98,068	86	410,810	24
12/31/99	742,825	835,620	92,795	89	494,202	19
12/31/00	871,550	1,011,700	140,150	86	541,369	26
12/31/01	1,005,556	1,096,922	91,366	92	575,257	16
12/31/02	1,116,601	1,435,116	318,515	78	685,483	46
12/31/03	1,749,498	1,620,507	(128,991)	108	647,206	-

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2003, the latest actual valuation, follows:

Actuarial cost method	Entry age normal cost
Amortization method	Level percent
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	
Includes inflation at 4.5%	4.50-8.66%
Cost of living adjustments	None

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February 9, 2005

RECEIVED
DEPT. OF TREASURY
APR 21 2005
LOCAL AUDIT & FINANCE DIV.

Board of Trustees
Plymouth District Library
Wayne County, Michigan

Our audit of the financial statements of Plymouth District Library for the year ended December 31, 2004 has been completed and was conducted in accordance with generally accepted auditing standards which require that we determine that existing internal controls, accounting procedures and accounting records are adequate to allow us to express an opinion on the financial statements of the District Library. The scope of our audit is not intended to be a detailed review of all systems and procedures; therefore, this report should not be considered all inclusive.

State Revenue Payments

Since its creation, the Library has received State revenues from two sources: annual appropriations made from the State on a per capita basis, which is paid directly to the Library, and the amounts remitted from the City of Plymouth, and Plymouth Township required by MCL 141.912a. The Library received the payment from the City of Plymouth in 2004, and has not to date received payments from the Township for 2004 or 2005 (usually paid annually in February each year).

These amounts appear to be due and payable under the aforementioned statute, and we recommend that the District Library pursue collection through appropriate means.

We appreciate the courtesy extended to us by you during the course of our examination. We would be pleased to provide additional assistance if you desire.

Sincerely,

Post, Smythe, Lutz + Ziel

POST, SMYTHE, LUTZ and ZIEL LLP
Certified Public Accountants