

Capital Area District Library

**Financial Report
December 31, 2004**

Capital Area District Library

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Capital Area District Library

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Independent Auditor's Report

To the Capital Area District Library Board
Lansing, Michigan

We have audited the accompanying basic financial statements of Capital Area District Library as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of Capital Area District Library's management. 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 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 basic financial statements referred to above present fairly, in all material respects, the financial position of Capital Area District Library at December 31, 2004 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental 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 supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

February 10, 2005

Capital Area District Library

Management's Discussion and Analysis

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 Library.

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These fund financial statements focus on 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 column provides both long-and short-term information about the Library's overall financial status. The statement of net assets 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 remains for future spending.

The financial statements also include notes that explain some of the information 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.

Capital Area District Library

Management's Discussion and Analysis (Continued)

Condensed Financial Information

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

	<u>2004</u>	<u>2003</u>
Current assets	\$ 11,432,766	\$ 11,390,821
Capital assets	<u>6,381,916</u>	<u>5,266,840</u>
Total assets	17,814,682	16,657,661
Long-term liabilities	130,562	108,184
Other liabilities	<u>9,069,684</u>	<u>8,711,229</u>
Total liabilities	<u>9,200,246</u>	<u>8,819,413</u>
Net assets:		
Invested in capital assets	6,381,916	5,266,840
Restricted for donor-restricted purpose	112,151	168,276
Unrestricted	<u>2,120,369</u>	<u>2,403,132</u>
Total net assets	<u>\$ 8,614,436</u>	<u>\$ 7,838,248</u>
Revenue:		
Property taxes	\$ 8,183,862	\$ 6,742,281
Other	<u>1,615,348</u>	<u>1,337,386</u>
Total revenue	9,799,210	8,079,667
Expenses - Library services	<u>9,023,022</u>	<u>6,433,816</u>
Change in net assets	<u>\$ 776,188</u>	<u>\$ 1,645,851</u>

Capital Area District Library

Management's Discussion and Analysis (Continued)

The Library as a Whole

- For the second year, the Library is reporting all financial statements that meet the requirements of GASB 34. This management's discussion and analysis includes a comparative analysis of government-wide data for years 2003 and 2004.
- The Library's net assets were \$8,614,436 on a full accrual basis. This represents an increase of \$776,188 over the previous year. This increase was primarily the result of several capital improvement projects. These included the purchase of a new bookmobile, installation of a freight elevator, renovation of the children's area at the downtown location, a 5,000 ft. expansion and renovation of the South Lansing location, and a patron computer upgrade at all libraries. Total capital for all of these projects was \$1,237,750, or 12.2 percent of total expenses.
- The Library's primary source of revenue is from property taxes. For 2004, total tax collection, excluding IFT, was \$8,060,946. This represents approximately 82.3 percent of total revenue. It also represents an increase over the previous year's tax collection of \$1,318,665. This increase was primarily due to the voter-approved .18 mill increase in the Library's tax collection rate for years 2004 - 2006.
- Salaries and fringe benefits are the largest overall expense of the Library. For 2004, this expense was \$5,789,175, representing 57.2 percent of the Library's total expenses. The addition of 15 full-time employees and 21 part-time employees, plus an average 4 percent increase in salaries, contributed to an overall increase of \$1,117,354 over the previous year. These new positions were funded with the increase in tax collections mentioned in the paragraph above.
- Library materials at \$1,481,639 are the second largest overall expense of the Library, representing 14.6 percent of the Library's total expenses. This is a decrease of \$198,867 from the previous year. This decrease was primarily due to reduced spending on books, as our collection has grown to a point where fewer titles need replacement. Space limitations at all libraries also prevent the system from adding more new materials at a faster rate.
- Total expenses for the entire year under the modified accrual method of accounting were \$10,115,720.

Capital Area District Library

Management's Discussion and Analysis (Continued)

The Library's Fund

Our analysis of the Library's major fund is included on pages 7 and 8 in the first column of the respective statements. The fund column provides detailed information about the most significant fund - not the Library as a whole.

- The fund balance of the General Fund decreased by \$316,510 for the year. This decrease represents expense incurred as part of a budgeted decrease in the Library's General Fund.
- The Library Board has the ability to create separate funds to help manage money for specific purposes. The Library maintains several of these to fund projects such as system expansion, technology upgrades, and capital improvements.

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. The most significant amendments occurred in tax revenue, penal fines revenue, donations revenue and expense, miscellaneous income, Universal Service Fund revenue, computer hardware expense, and capital-related projects expense.

- The tax revenue budget was revised upward for the year by \$105,300 to reflect an increase in anticipated tax revenue received from Ingham County.
- The Ingham County penal fines budget was revised upward by \$52,400 to reflect an increase in revenue received.
- The donations revenue budget was increased by \$50,000 due to a sizable donation from Library friends. This donated money was used to partially fund renovations to the children's area of the downtown library.
- The miscellaneous revenue budget was increased a total of \$54,100. This increase was due to the combination of unexpected revenue of \$94,000 from an insurance settlement and a Reed/Gates grant, offset by a reduction in Universal Service Fund revenue of \$39,900. This reduction was due to lower phone costs from our service provider and lower project reimbursement expenses.
- The technology expense budget was increased \$70,000 to reflect expenses incurred as a result of carryover projects from the previous year.

Capital Area District Library

Management's Discussion and Analysis (Continued)

Several capital project budgets were changed during the year:

- The main library elevator project budget was reduced by \$115,000, as this project was tabled until a greater need arises.
- A budget for a South Lansing branch expansion project of \$305,000 was created mid-year. These funds were allocated from our System Expansion Fund.
- An \$80,000 budget for several smaller capital projects such as an energy management system, generator replacement, book drops, and new phone systems was established in March.
- A staff furniture and shelving expense budget of \$40,000 was created in mid-year to provide these items to branches in need.

Capital Assets and Debt Administration

At the end of the fiscal year, the Library had \$6.4 million invested in furniture, equipment, and books and materials. In 2004, the Library added approximately \$1.23 million in new collection items consisting mainly of books, video materials, audio books, and music CDs.

The Library carries no long-term debt other than compensated absences.

Capital Area District Library

Governmental Fund Balance Sheet/Statement of Net Assets December 31, 2004

	General Fund - Modified Accrual Basis	Adjustments (Note 9)	Statement of Net Assets - Full Accrual Basis
Assets			
Cash (Note 2)	\$ 1,418,976	\$ -	\$ 1,418,976
Investments (Note 2)	1,173,613	-	1,173,613
Taxes receivable	8,423,564	-	8,423,564
Due from other governmental units	105,509	-	105,509
Interest receivable	15,162	-	15,162
Prepaid expenses	295,942	-	295,942
Capital assets (Note 3)	-	6,381,916	6,381,916
Total assets	<u>\$ 11,432,766</u>	<u>6,381,916</u>	<u>17,814,682</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 646,120	-	646,120
Deferred revenue	8,423,564	-	8,423,564
Long-term liabilities - Due in more than one year - Accumulated employee benefits (Note 4)	-	130,562	130,562
Total liabilities	<u>9,069,684</u>	<u>130,562</u>	<u>9,200,246</u>
Fund Balances			
Reserved for:			
Prepaid expenses	295,942	(295,942)	-
Donations	112,151	(112,151)	-
Unreserved:			
Designated for:			
System expansion	254,939	(254,939)	-
Contingency	969,960	(969,960)	-
Automation	412,000	(412,000)	-
Capital projects	130,817	(130,817)	-
Undesignated	187,273	(187,273)	-
Total fund balance	<u>2,363,082</u>	<u>(2,363,082)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 11,432,766</u>		
Net Assets			
Investment in capital assets		6,381,916	6,381,916
Restricted for donor-restricted purposes		112,151	112,151
Unrestricted		2,120,369	2,120,369
Total net assets		<u>\$ 8,614,436</u>	<u>\$ 8,614,436</u>

Capital Area District Library

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance - Statement of Activities Year Ended December 31, 2004

	General Fund - Modified Accrual Basis	Adjustments (Note 9)	Statement of Activities - Full Accrual Basis
Revenue			
Millage revenue	\$ 8,183,862	\$ -	\$ 8,183,862
Penal fines	777,043	-	777,043
State aid	207,318	-	207,318
Rental revenue	149,634	-	149,634
Interest income	64,232	-	64,232
Donation income	112,633	-	112,633
Miscellaneous revenue	304,488	-	304,488
	<u>9,799,210</u>	<u>-</u>	<u>9,799,210</u>
Expenditures			
Salaries and benefits	5,789,175	22,378	5,811,553
Materials	1,481,639	(1,229,418)	252,221
Supplies	191,679	-	191,679
Professional services	469,441	-	469,441
Governance	21,556	-	21,556
Transportation/Staff development	64,872	-	64,872
Maintenance and utilities	481,714	-	481,714
Technology	480,172	(321,029)	159,143
Capital outlay - Equipment and furniture	884,386	(793,721)	90,665
Depreciation	-	1,352,092	1,352,092
Other expenses	251,086	(123,000)	128,086
	<u>10,115,720</u>	<u>(1,092,698)</u>	<u>9,023,022</u>
Revenue Over (Under) Expenditures/ Change in Net Assets	(316,510)	1,092,698	776,188
Fund Balance/Net Assets - Beginning of year	<u>2,679,592</u>	<u>5,158,656</u>	<u>7,838,248</u>
Fund Balance/Net Assets - End of year	<u>\$ 2,363,082</u>	<u>\$ 6,251,354</u>	<u>\$ 8,614,436</u>

Capital Area District Library

Notes to Financial Statements December 31, 2004

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

The accounting policies of Capital Area District Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

Effective January 1, 1998, Capital Area District Library commenced official operations pursuant to the March 10, 1997 signed District Library Agreement. The District Library Agreement was originally entered into by the County of Ingham, except for the City of East Lansing and small portions of White Oak and Locke Townships, and the City of Lansing. In February 1999, three additional participating municipalities were recognized by the original participants - Delhi Township, Meridian Township, and the City of Williamston. The Library is funded primarily through property taxes, state aid, penal fines, grants, and donations. The voters of the districts approved a 1.28 mill tax for a three-year period, which began with a tax levy effective December 31, 2000. This millage provided for funding of Library operations through December 31, 2003. The voters of the districts approved a 1.46 mill tax for a three-year period, which began with a tax levy effective December 31, 2003. This millage provides for funding of Library operations through December 31, 2006.

The Library is governed by a seven-member Board. The Board consists of five members appointed by the County of Ingham, and two members appointed by the City of Lansing. The Library is not included as a component unit in any other primary government's financial statements. Based on the significance of any operations or financial relationships with the Library, there are no component units to be included in these financial statements.

Capital Area District Library

Notes to Financial Statements December 31, 2004

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Library has one fund, the General Fund, which is the Library's primary operating fund.

The General Fund is budgeted and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. Normally, expenditures are divided between years by the recording of prepaid expenses. The prepaid expenses reported on the balance sheet represent payments made in advance for 2005 expenditures.

In addition to presenting information for the General Fund, the statements combine all fund activity and present information for the Library as a whole, using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both modified accrual and full accrual columns, to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Library has elected not to follow private sector standards issued after November 30, 1989 for its full accrual presentation.

Financial Statement Amounts

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Capital Area District Library

Notes to Financial Statements December 31, 2004

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Receivables and Payables - All trade and property taxes receivable are shown net of an allowance for uncollectible amounts.

Prepaid Expenses - The prepaid expenses reported on the balance sheet represent payments made in advance for 2005 expenditures.

Capital Assets - Generally, capital assets are defined by the Library with an initial cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at cost or, if donated, at their estimated fair value on the date donated.

Library books, CDs, and audio and visual tapes which comprise the Library's collection are recorded as assets using various estimating techniques. Because of their nature and relevance to the Library's operations, they are capitalized despite individually being below the \$2,500 capitalization threshold.

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on such capital assets is charged as an expense against the operations on a straight-line basis over the following estimated useful lives:

Furniture and equipment	3-10 years
Library books and materials	7 years

The Library has a collection of art work presented for public exhibition and education that is being preserved for future generations. The proceeds from sales of any pieces of the collection are used to purchase other acquisitions. The collection is not capitalized or depreciated as part of capital assets.

Compensated Absences - It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the Library does not have a policy to pay any amounts when employees separate from service with the Library. All vacation pay is accrued when incurred in the government-wide financial statements.

Capital Area District Library

Notes to Financial Statements December 31, 2004

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Property Taxes - Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Library's 2003 tax is levied and collectible on December 1, 2003, and is recognized as revenue in the year ended December 31, 2004, when the proceeds of the levy are budgeted and available for the financing operations. The 2003 taxable value of the district totaled \$5,809,674,071 (a portion of which is not captured from all jurisdictions), on which taxes levied consisted of 1.46 mills for operating purposes. This resulted in \$8,060,946 recognized as property tax revenue.

Deferred Revenue - Income is recognized as revenue as it is earned. Prepayments are recorded as deferred until the revenue is earned over the year. Property taxes levied December 1 are for the following year's budget as described above. Accordingly, the December 1 tax levy is recorded as deferred revenue at December 31.

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 use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates

Capital Area District Library

Notes to Financial Statements December 31, 2004

Note 2 - Deposits

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units 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 local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of the purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Library has designated six banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investments as allowed by authority as listed above. The Library's deposits and investments policy is in accordance with statutory authority.

The Library's deposits at December 31, 2004 are included on the balance sheet under the following classifications:

	<u>Balance Sheet Classification</u>		
	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Deposits	<u>\$ 1,418,976</u>	<u>\$ 1,173,613</u>	<u>\$ 2,592,589</u>

The above deposits were reflected in the accounts of the bank (without recognition of checks written, but not yet cleared, or of deposits in transit) at \$2,887,901. Of that amount, \$219,224 was covered by federal depository insurance and \$2,668,677 was uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Library evaluates each financial institution with which it deposits Library funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Capital Area District Library

Notes to Financial Statements December 31, 2004

Note 3 - Capital Assets

A summary of the changes in capital assets follows:

Capital Assets Being Depreciated	Balance January 1, 2004	Additions	Deletions	Balance December 31, 2004
Furniture and equipment	\$ 1,622,941	\$ 1,002,698	\$ -	\$ 2,625,639
Library books and materials	12,086,186	1,229,418	-	13,315,604
Project in progress	-	235,052	-	235,052
Total	13,709,127	2,467,168	-	16,176,295
Accumulated depreciation	(8,442,287)	(1,352,092)	-	(9,794,379)
Net book value	<u>\$ 5,266,840</u>	<u>\$ 1,115,076</u>	<u>\$ -</u>	<u>\$ 6,381,916</u>

Capital Area District Library leases a building from the Lansing School District at a nominal amount. Other buildings are provided by the other participating governmental units at no charge to the Library. As a result, the Library does not own land or any other assets that are not being depreciated.

Note 4 - Long-term Debt

A summary of the debt outstanding at the Library is as follows:

	Balance January 1, 2004	Additions	Deletions	Balance December 31, 2004
Compensated absences	<u>\$ 108,184</u>	<u>\$ 22,378</u>	<u>\$ -</u>	<u>\$ 130,562</u>

The compensated absences represent the estimated liability to be paid employees under the Library's vacation pay policy. Under the Library's policy, employees earn vacation time based on time of service with the Library. The Library estimates that none of the above liability will be paid within the next year.

Capital Area District Library

Notes to Financial Statements December 31, 2004

Note 5 - Budget Information

The annual budget is prepared by Library management and adopted by the Library Board of Trustees; subsequent amendments are approved by the Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2004 for materials has been calculated at approximately \$159,000, but has not been calculated for other expenditures. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The General Fund budget has been approved on a functional basis. A comparison of actual results of operations to the General Fund budget as adopted by the Library Board is included in the required supplementary information.

Note 6 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 7 - Pension Plan

Plan Description

The Library participates in the Michigan Municipal Employees' Retirement System, an agent, multiple-employer defined benefit pension plan that covers all full-time employees of the Library. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by Board approval and requires a contribution from the union and non-union employees of 6.04 percent and 9.27 percent of gross wages, respectively.

Capital Area District Library

Notes to Financial Statements December 31, 2004

Note 7 - Pension Plan (Continued)

Annual Pension Cost

For the year ended December 31, 2004, the Library's annual pension cost of \$162,137 was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial calculation at December 31, 2002, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, attributable to inflation, and (c) additional projected salary increases ranging from 0 percent to 4.16 percent per year, depending on age, attributable to seniority/merit. Both (a) and (b) include an inflation assumption of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period.

Trend Information

Fiscal year ended December 31:	2002	2003	2004
Annual pension cost	\$ 86,472	\$ 109,670	\$ 162,137
Percentage of annual pension cost contributed	100%	100%	100%
Net pension obligation	-	-	-

Actuarial valuation as of December 31:	2001	2002	2003
Actuarial value of assets	NA	\$ 203,950	\$ 478,109
Actuarial accrued liability (AAL) (entry age)	NA	\$ 179,193	\$ 458,103
Unfunded (overfunded) AAL (U(O)AAL)	NA	\$ (24,757)	\$ (20,006)
Funded ratio	NA	113.80%	104.4%
Covered payroll	NA	\$ 1,491,435	\$ 1,854,730
U(O)AAL as a percentage of covered payroll	NA	(1.66%)	(1.08%)

Since the Library joined MERS effective January 1, 2002, no trend information existed prior to this time; thus, an actuarial valuation was not available before December 31, 2002.

Capital Area District Library

Notes to Financial Statements December 31, 2004

Note 8 - Defined Contribution Pension Plan

The Library provides pension benefits to some full-time employees hired before January 1, 2002 through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by negotiation with the Library's competitive bargaining units, the Library contributes 6 percent of employees' gross earnings. In accordance with these requirements, the Library contributed \$38,794 during the current year, and employees made no contributions.

Note 9 - Reconciliation of Fund Financial Statements to Government-wide Financial Statements

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

Total Fund Balance - Modified accrual basis	\$ 2,363,082
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources and are not reported in the funds	6,381,916
Compensated absences are included as a liability	<u>(130,562)</u>
Net Assets of General Fund - Full accrual basis	<u>\$ 8,614,436</u>

Capital Area District Library

Notes to Financial Statements December 31, 2004

Note 9 - Reconciliation of Fund Financial Statements to Government-wide Financial Statements (Continued)

Net Change in Fund Balances - Modified accrual basis \$ (316,510)

Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	1,237,750
Library books and materials	1,229,418
Depreciation	(1,352,092)

Increase in the accrual for long-term compensated absences reported as an expenditure in the statement of activities but not in the fund statements (22,378)

Change in Net Assets of General Fund - Full accrual basis \$ 776,188

Required Supplementary Information

Capital Area District Library

Required Supplementary Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2004

	Originally Adopted Budget	Final Amended Budget	December 31, 2004 Balance	Variance	
				Favorable (Unfavorable)	December 31, 2003 Balance
Revenue					
Millage revenue	\$ 8,076,000	\$ 8,181,300	\$ 8,183,862	\$ 2,562	\$ 6,742,281
Penal fines	725,600	777,000	777,043	43	725,759
State aid	205,600	207,000	207,318	318	197,138
Rental revenue	140,000	146,700	149,634	2,934	149,728
Interest income	50,000	60,000	64,232	4,232	48,467
Donation income	60,000	110,000	112,633	2,633	43,537
Miscellaneous revenue	248,800	302,900	304,488	1,588	172,757
Total revenue	9,506,000	9,784,900	9,799,210	14,310	8,079,667
Expenditures					
Salaries and benefits	5,951,700	5,944,200	5,789,175	155,025	4,671,806
Materials	1,486,100	1,486,100	1,481,639	4,461	1,680,509
Supplies	161,700	192,200	191,679	521	150,334
Professional services	491,450	509,450	469,441	40,009	470,122
Governance	24,850	22,850	21,556	1,294	16,942
Transportation/Staff development	65,000	65,000	64,872	128	53,871
Maintenance and utilities	478,200	488,200	481,714	6,486	418,827
Technology	551,000	621,000	480,172	140,828	241,421
Capital outlay - Equipment and furniture	754,000	985,000	884,386	100,614	165,071
Other expenses	162,500	278,500	251,086	27,414	137,423
Total expenditures	10,126,500	10,592,500	10,115,720	476,780	8,006,326
Revenue Over (Under) Expenditures	(620,500)	(807,600)	(316,510)	491,090	73,341
Fund Balance - Beginning of year	2,679,592	2,679,592	2,679,592	-	2,606,251
Fund Balance - End of year	\$ 2,059,092	\$ 1,871,992	\$ 2,363,082	\$ 491,090	\$ 2,679,592