



January 29, 2020

To the Members of the  
Branch District Library  
Branch County, Michigan

We have audited the financial statements of the governmental activities, each major fund and aggregate remaining information of the Branch District Library as of and for the year ended December 31, 2019. Professional standards require that we provide you with the following information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned and scope and timing of our audit. We have communicated such information. Professional standards also require that we communicate that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Branch District Library are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Library during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statement was:

Estimates have been used in calculating the liability for employee compensated absences. The estimated liability is approximately \$34,200.

The financial statement disclosures are neutral, consistent and clear.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No misstatements were detected as a result of audit procedures to the financial statements taken as a whole.

### **Disagreements with Management**

For purposes of this letter, management is a financial accounting, reporting, or auditing matter whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated January 29, 2020.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entities financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Audit Findings and Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to retention as the District Library auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

In planning and performing our audit of the financial statements of the government activities, each major fund and aggregate remaining information of the Branch District Library as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Branch District Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following in Branch District Library's internal control to be material weaknesses:

1. The Organization does not have control procedures in place or a member of management with sufficient skills to prepare financial statements in accordance with U.S. generally accepted accounting principles. As is common with smaller entities the Organization relies on its independent external auditors to assist in the preparation of the financial statements. Auditors by definition cannot be considered part of the Organization's internal controls. The Organization has evaluated the cost vs. benefit of preparing the financial statements and has determined it is in the best interest of the Organization to outsource this task to its external auditors.
2. Due to the size of staff the Branch District Library lacks adequate segregation of duties. We understand due to the size of needed staff, a proper segregation of duties may be impractical and the cost vs. benefit relationship may not justify the addition of accounting staff to accomplish the desired segregation. However, we do recognize the Library has implemented various procedures, to improve internal controls.

This communication is intended solely for the information and use of management, Members of the Branch District Library Board and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

*Taylor, Plant & Watkins, P.C.*

TAYLOR, PLANT & WATKINS, P.C.

**BRANCH DISTRICT LIBRARY  
BRANCH COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2019**

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## **INDEPENDENT AUDITOR'S REPORT**

**To the Members of the Branch  
District Library Board  
Coldwater, Michigan**

**January 29, 2020**

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Branch District Library as of and for the year ended December 31, 2019, 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 the fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

**To the Members of the Branch  
District Library Board  
Coldwater, Michigan**

**January 29, 2020**

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund for the Branch District Library as of December 31, 2019 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.

## **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 identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Branch District Library's basic financial statements. The other supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. The other supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Taylor, Plant & Watkins, P.C.*  
**TAYLOR, PLANT & WATKINS, P.C.**  
**COLDWATER, MICHIGAN**

**BRANCH DISTRICT LIBRARY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Branch District Library's financial performance provides an overview of the Branch District Library's financial activities for the fiscal year ended December 31, 2019. Please read it in conjunction with the Branch District Library's financial statements.

**Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Branch District Library as a whole and present a longer-term view of the Library's finances. This longer-term view uses the accrual basis of accounting to measure the cost of providing services.

The fund financial statements present a short-term view; they tell us how the resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Library's operations in more detail than the Government-Wide financial statements by providing information about the Library's most significant funds.

**Government-wide Financial Statements** - Government-wide financial statements begin on page 9 and provide readers with a broad overview of the finances of the Library as a whole, in a manner similar to a private sector business, distinguishing functions of the Library that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as "business-type activities"). These statements present a longer-term view using the accrual basis of accounting, which requires that revenues are reported when they are earned and expenses are reported when incurred. They measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services. The statements include a Statement of Net Position and Statement of Activities.

The Statement of Net Position presents information on all of the Library's assets and liabilities, with the difference between the two reported as net position. The Statement of Activities reports the current year's revenues and expenses and how the Library's net position changed during the year. Over time, increases or decreases in net position can serve as one indicator of the financial position of the Library.

**Fund Financial Statements** – The fund financial statements begin on page 11 and present more detailed information about the Library's most significant funds, not the Library as a whole. The fund financial statements present a short-term view, using a modified accrual basis of accounting, and tell us how the taxpayers' resources were spent during the year as well as how much is available for future spending. Funds are accounting tools the Library uses to keep track of specific sources of funding and spending for particular purposes.



## BRANCH DISTRICT LIBRARY

### MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

**Governmental Funds** – Governmental funds account for most, if not all, of a government's tax-supported functions. They are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

**Notes to the Financial Statements** – The notes provide supplementary information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also contains certain required supplementary information concerning budgetary comparisons of the General Fund, as well as other supplementary information.

#### The Library as a Whole

The following table shows, in condensed format, the fund balance as of the current date and compared to the prior year under the modified accrual basis:

	<b>Governmental Funds</b>	
	<b>2019</b>	<b>2018</b>
<b>Assets</b>	\$ 1,904,525	\$ 1,729,993
<b>Liabilities</b>	<u>99,811</u>	<u>100,794</u>
<b>Fund Balance</b>		
Nonspendable	14,653	23,737
Restricted	233,647	217,742
Committed	631,714	605,473
Unassigned	<u>924,700</u>	<u>782,247</u>
 Total fund balance	 <u>\$ 1,804,714</u>	 <u>\$ 1,629,199</u>

**BRANCH DISTRICT LIBRARY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS – Continued**

The following table shows, in condensed format, the net position as of the current date as required by GASB 34 stated under the full accrual basis compared to prior year:

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Current and other assets	\$ 1,904,525	\$ 1,729,993
Capital assets	503,555	535,085
Total assets	2,408,080	2,265,078
<b>Liabilities</b>		
Current liabilities and other liabilities	99,811	100,794
Long-term	34,200	28,000
Total liabilities	134,011	128,794
<b>Net Position</b>		
Investment in capital assets - net of related debt	503,555	535,085
Restricted for:		
Special revenue trust fund	284,535	261,472
Capital projects fund	433,692	414,609
Permanent trust fund	147,134	147,134
Unrestricted	905,153	777,984
Total net position	<u>\$ 2,274,069</u>	<u>\$ 2,136,284</u>

**BRANCH DISTRICT LIBRARY****MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued**

The following table shows the changes of the fund equity during the current year and as compared to the prior year, under the modified accrual basis:

	<b>Governmental Funds</b>	
	<b>2019</b>	<b>2018</b>
<b>Revenues</b>		
Taxes	\$ 1,638,533	\$ 1,597,648
State aid	37,646	34,397
Charges for services	31,457	24,526
Penal fines	216,713	214,515
Interest earned	13,281	13,830
Donations	36,785	52,375
Reimbursements	16,608	16,127
Other revenue	5,756	1,439
Total revenue	1,996,779	1,954,857
<b>Expenditures</b>		
Cultural	1,813,237	2,066,941
Capital outlay	8,026	117,185
Total expenditures	1,821,263	2,184,126
Change in fund equity	\$ 175,516	\$ (229,269)

## BRANCH DISTRICT LIBRARY

### MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

The following table shows, in condensed format, the changes of net position as of the current date as required by GASB 34 stated under full accrual basis:

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 31,457	\$ 24,526
Operating/grants and contributions	53,392	68,502
General revenues:		
Property taxes	1,638,534	1,597,648
State aid not restricted for specific purposes	37,646	34,397
Penal fines not restricted for specific purposes	216,713	214,515
Interest and investment earnings	13,281	13,830
Other	5,756	1,439
Total revenues	<u>1,996,779</u>	<u>1,954,857</u>
<b>Expenditures</b>		
Cultural	<u>1,858,997</u>	<u>2,193,899</u>
<b>Change in Net Position</b>	<u>\$ 137,782</u>	<u>\$ (239,042)</u>

- The Library's net position increased by \$137,782 this year, compared to a decrease of \$239,042 in the prior year, under full accrual accounting. Under the modified accrual basis fund equity increased \$175,516 compared to a decrease of \$229,269 in the prior year.
- The Library's primary source of revenue is property taxes, which represented 82% percent of total revenue. Penal fines in 2019 accounted for 11% of revenue.
- Personnel cost continues to be the Library's most significant expense, representing 75% percent of total governmental fund expenses.
- Depreciation expense of \$152,815 represents approximately 8% percent of the Library's total governmental activities expenses.

## **BRANCH DISTRICT LIBRARY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued**

#### **Library Budgetary Highlights for 2019:**

- Due to escalating operating expenditure carryover from the previous year, it became necessary for a mid-year budget amendment to ensure that the unassigned fund balance was not depleted in the near future.
- Cuts were made mostly in personnel hours, with additional minor cuts to materials, programming and training.

#### **Next Year's Funding (2019)**

- Budgetary categories will be reshuffled to better reflect logical groupings.
- The Library plans on continued growth and improvements to accomplish more of the goals and actions of the strategic plan.
- Penal fines continue to fluctuate and projection for this source of revenue will continue to be conservative.
- Digital services include modifications to services to reflect patron priorities, including increasing support for Hoopla and dropping NewsBank.
- The Capital Improvement Fund will be transferred into the General Fund, though the funds intended purpose will remain unchanged and will be reported as assigned fund balance activity within the General Fund.
- Overall, the goal is a balanced budget for 2020, with no need to reduce the unassigned fund balance.

**BRANCH DISTRICT LIBRARY**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash	\$ 827,513
Investments	780,403
Due from other governmental units	48,309
Prepaid expenses	14,653
Restricted assets:	
Cash	113,717
Investments	119,930
Capital assets less accumulated depreciation of \$648,661	503,555
 Total assets	 2,408,080
<b>LIABILITIES</b>	
Accounts payable	49,905
Accrued expenses	49,398
Due to other governmental units	508
Long term liabilities	
Compensated absences	34,200
 Total liabilities	 134,011
<b>NET POSITION</b>	
Investment in capital assets - net of related debt	503,555
Restricted for:	
Special revenue trust fund	284,535
Capital projects fund	433,692
Permanent trust fund	147,134
Unrestricted	905,153
 Total net position	 \$ 2,274,069

**BRANCH DISTRICT LIBRARY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>Program Revenues</b>			<b>Governmental Activities</b>
<b>Functions/Programs</b>	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating / Grants and Contributions</b>	<b>Net (Expense) Revenue and Changes in Net Position</b>
Cultural	\$ 1,858,993	\$ 31,457	\$ 53,393	\$ (1,774,143)
General revenues:				
Property taxes, levied for general purposes				1,638,533
State aid not restricted for specific purposes				37,646
Penal fines not restricted for specific purposes				216,713
Interest and investment earnings				13,281
Other				5,756
Total general revenues				1,911,929
<b>Change in Net Position</b>				137,786
<b>Net Position - Beginning</b>				2,136,283
<b>Net Position - Ending</b>				\$ 2,274,069

**BRANCH DISTRICT LIBRARY**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
DECEMBER 31, 2019**

	<b>General Fund</b>	<b>Special Revenue Trust Fund</b>	<b>Capital Projects Fund</b>	<b>Permanent Trust Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash	\$ 293,976	\$ 198,664	\$ 334,873	\$ -	\$ 827,513
Investments	675,852	-	104,551	-	780,403
Due from County	44,461	-	-	-	44,461
Due from others	3,848	-	-	-	3,848
Prepaid expenses	14,653	-	-	-	14,653
Restricted assets:					
Cash	-	56,717	-	57,000	113,717
Investments	-	29,796	-	90,134	119,930
<b>Total assets</b>	<b>\$ 1,032,790</b>	<b>\$ 285,177</b>	<b>\$ 439,424</b>	<b>\$ 147,134</b>	<b>\$ 1,904,525</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 43,531	\$ 642	\$ 5,732	\$ -	\$ 49,905
Accrued expenses	49,398	-	-	-	49,398
Due to others	508	-	-	-	508
<b>Total liabilities</b>	<b>93,437</b>	<b>642</b>	<b>5,732</b>	<b>-</b>	<b>99,811</b>
<b>FUND BALANCE</b>					
Nonspendable	14,653	-	-	-	14,653
Restricted	-	86,513	-	147,134	233,647
Committed	-	198,022	433,692	-	631,714
Assigned	-	-	-	-	-
Unassigned	924,700	-	-	-	924,700
<b>Total fund balance</b>	<b>939,353</b>	<b>284,535</b>	<b>433,692</b>	<b>147,134</b>	<b>1,804,714</b>
<b>Total liabilities and fund balance</b>	<b>\$ 1,032,790</b>	<b>\$ 285,177</b>	<b>\$ 439,424</b>	<b>\$ 147,134</b>	<b>\$ 1,904,525</b>

See Notes to Financial Statements



**BRANCH DISTRICT LIBRARY**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF BALANCE SHEET OF**  
**GOVERNMENTAL FUNDS TO NET POSITION**  
**DECEMBER 31, 2018**

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 1,804,714</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
The cost of the capital assets	1,152,216
Accumulated depreciation	<u>(648,661)</u>
Total capital assets not reported in the funds	503,555
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Compensated absences	<u>(34,200)</u>
<b>Total Net Position - Governmental Activities</b>	<b><u><u>\$ 2,274,069</u></u></b>

**BRANCH DISTRICT LIBRARY  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General Fund	Special Revenue Trust Fund	Capital Projects Fund	Permanent Trust Fund	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 1,612,571	\$ -	\$ 25,962	\$ -	\$ 1,638,533
State aid	37,646	-	-	-	37,646
Charges for services	31,457	-	-	-	31,457
Penal fines	216,713	-	-	-	216,713
Interest earned	9,906	2,274	1,101	-	13,281
Donations	-	36,785	-	-	36,785
Reimbursements	16,562	-	46	-	16,608
Other revenue	5,756	-	-	-	5,756
Total revenues	1,930,611	39,059	27,109	-	1,996,779
<b>EXPENDITURES</b>					
Cultural	1,797,241	15,996	-	-	1,813,237
Capital outlay	-	-	8,026	-	8,026
Total expenditures	1,797,241	15,996	8,026	-	1,821,263
Excess (deficiency) of revenues over expenditures	133,370	23,063	19,083	-	175,516
<b>FUND BALANCE - BEGINNING</b>	805,983	261,472	414,609	147,134	1,629,198
<b>FUND BALANCE - ENDING</b>	\$ 939,353	\$ 284,535	\$ 433,692	\$ 147,134	\$ 1,804,714

See Notes to Financial Statements

**BRANCH DISTRICT LIBRARY**  
**GOVERNMENTAL FUNDS**  
**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, 2019**

<b>Net change in Fund Balance - Total Governmental Funds</b>	<b>\$ 175,516</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation expense	(152,815)
Capital outlay	<u>121,285</u>
Total	(31,530)
Increase in compensated absences are reported as an decrease to expenditures	<u>(6,200)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ 137,786</u></u></b>

**BRANCH DISTRICT LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Branch District Library conform to generally accepted accounting principles of the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

**REPORTING ENTITY:**

The Library was formed during 1991 under P.A. 24 and began operations as a separate entity on January 1, 1992. Previously, the Library was a component unit of the County of Branch. The Library operates under an appointed board of seven members and provides library services to the residents of Branch County. The 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 entity. These criteria include oversight responsibility, scope of public service and special financing relationships.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

The government-wide financial statements, the statement of net position and the statement of activities, report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Library's government-wide activities are considered governmental activities.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Library first utilizes restricted resources to finance qualifying activities.

## **BRANCH DISTRICT LIBRARY**

### **NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED DECEMBER 31, 2019**

#### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

##### **MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION:**

**Governmental-Wide Statements** – The government-wide financial statements are reported 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. Property taxes are recognized as revenue 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State shared revenues.

**Fund-based Statements** – Governmental fund financial statements are reported 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 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, unrestricted State shared revenues, intergovernmental grants, charges for services and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received.

**BRANCH DISTRICT LIBRARY**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**BASIS OF PRESENTATION:**

**MAJOR GOVERNMENTAL FUNDS**

**General Fund** is the general operating fund of the Library. It is used to account for all the Library's financial resources not required to be accounted for in another fund.

**Special Revenue Trust Fund** is used to account for donations received and expended for Library purposes.

**Capital Projects Fund** is used to account for the portion of the millage designated each year by the Board to be expended for capital outlay.

**Permanent Trust Fund** is used to account for the assets held by the Library in a trustee capacity for donations. The principle portion must remain intact, but the earnings may be used to achieve the objectives of the donor.

**ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS AND NET POSITION:**

**Cash and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at cost, which approximates fair market value. Pooled investment income is generally allocated to each fund using a weighted average.

**Capital Assets** – Capital assets, which include equipment, furniture and fixtures, and books, are reported in the applicable governmental activities column in the government-wide financial statements. Assets are recorded at historical cost or estimated historical cost if purchased. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The Library has recorded current assets deemed to have future value. The Library determined there was no future value in assets not capitalized in past years.

Equipment, furniture and fixtures, and books are depreciated using the straight-line method over the following useful lives:

Leasehold improvements	15-20 Years
Machinery and equipment	5-10 Years
Furniture and fixtures	7-10 Years
Books	3-5 Years

## BRANCH DISTRICT LIBRARY

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED DECEMBER 31, 2019

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

##### ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS AND NET POSITION - Continued:

**Deferred Outflows of Resources** – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Library does not have anything that qualifies for reporting in this category.

**Deferred Inflows of Resources** – In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Library does not have anything that qualifies for reporting in this category.

**Compensated Absences** - As of December 31, 2018, the Library was liable for compensated absences of unused vacation and sick pay for approximately \$28,000. Vacation and sick pay is earned, accumulated and paid on termination based upon the personnel policies governing the various employees.

**Long-term Obligations** – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

**Fund Balance** – The Library implemented GASB statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

**Nonspendable fund balance** – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

**Restricted fund balance** – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

**Committed fund balance** – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

## **BRANCH DISTRICT LIBRARY**

### **NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED DECEMBER 31, 2019**

#### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

##### **ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS AND NET POSITION - Continued:**

##### **Fund Balance – Continued:**

**Assigned fund balance** – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

**Unassigned fund balance** – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Library establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Library’s Board through adoption or amendment of the budget as intended for specific purpose. The Library would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.

##### **BASIS OF BUDGETING:**

The Library adopted their annual budgets based on the modified accrual method of accounting. Expenditures were estimated by line item basis, but approved on a functional basis. The Library included an estimated beginning fund balance within the approved budgets. The budgets can only be amended by the Board. Such amendments are reflected in the official minutes of the Board, and are not made after year end as dictated by law. Revisions were made to the budgets during the year.

In the other supplemental information, the Library has provided line item detail for the General Fund for informational purposes only.

##### **ENCUMBRANCE ACCOUNTING:**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances at year end may be reappropriated in the next year. No reservation of fund balance equal to outstanding encumbrances at year end is required.



## **BRANCH DISTRICT LIBRARY**

### **NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED DECEMBER 31, 2019**

#### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

##### **USE OF ESTIMATES:**

The Library uses estimates and assumptions in the preparation of the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenditures.

##### **SUBSEQUENT EVENTS:**

The Library evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through the auditors' opinion date.

#### **NOTE B - DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Library to deposit and invest in accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government of Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involve no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The Library has designated financial institutions for the deposit of Library funds and has authorized the investment in certificates of deposit. The accounts maintained are checking, savings and certificates of deposit and are in accordance with statutory authority. The interest rates of the checking and savings accounts are at variable daily rates. The certificates of deposit are currently earning interest rates of .3% to 2.0%.

Investments consist of certificate of deposits with an original maturity date of greater than three months. The investments are carried at cost which approximates market value.

## BRANCH DISTRICT LIBRARY

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED DECEMBER 31, 2019

#### NOTE B - DEPOSITS AND INVESTMENTS - Continued

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

**Credit risk** – State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The Library does not allow direct investment in commercial paper or corporate bonds.

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

**Custodial credit risk for deposits** – In the case of deposits, this is the risk that in the event of a financial institution failure, the Library’s deposits may not be recovered. As of December 31, 2019, \$1,605,649 of the Library’s bank balance of \$1,841,561 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial credit risk for investments** – For an investment, this is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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

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

#### NOTE C – DUE FROM COUNTY

As of December 31, 2019, the Library has amounts due from the County of Branch in the amount of \$44,461 for penal fines.

**BRANCH DISTRICT LIBRARY**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE D – CAPITAL ASSETS**

Capital asset activity of the Branch District Library’s governmental activities was as follows:

**GOVERNMENTAL ACTIVITIES**

<b>GROUP:</b>	<b>Balance January 1, 2019</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance December 31, 2019</b>
Books	\$ 455,874	\$ 76,895	\$ 44,167	\$ 488,602
Machinery and equipment	517,510	44,390	-	561,900
Leasehold improvements	101,714	-	-	101,714
Subtotal	1,075,098	121,285	44,167	1,152,216
<b>ACCUMULATED DEPRECIATION:</b>				
Books	231,597	85,310	44,167	272,740
Machinery and equipment	291,383	60,724	-	352,107
Leasehold improvements	17,033	6,781	-	23,814
Total accumulated depreciation	540,013	152,815	44,167	648,661
Net capital assets	<u>\$ 535,085</u>	<u>\$ (31,530)</u>	<u>\$ -</u>	<u>\$ 503,555</u>

Depreciation expense was charged to cultural activities of the Library in the amount of \$152,815.

**BRANCH DISTRICT LIBRARY**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE E – LONG-TERM DEBT**

	<u>Balance January 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2019</u>
Governmental Activities:				
Compensated Absences	\$ 28,000	\$ 6,200	\$ -	\$ 34,200

Interest expense for the year ended December 31, 2018 was \$0 for Government-type Activities.

**NOTE F – RESTRICTED FUND BALANCE**

The detail of the restricted fund balances presented in Governmental Funds are as follows:

Restricted:

Special Revenue Trust Fund:

E. Dallen Memorial	\$ 882
R. Fisher Memorial	5,359
G. Barnett Memorial	6,183
A. Barnett Memorial	30,582
Union City facilities	13,692
K. Uhle Memorial	19
J. Morton Memorial	29,796

Total Special Revenue Trust Fund restricted fund balance	86,513
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Permanent Trust Fund:

M. Semmelroth Memorial	50,000
E. Dallen Memorial	2,000
K. Uhle Memorial	5,000
G. Barnett Memorial	90,134

Total Permanent Trust Fund restricted fund balance	147,134
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Total restricted fund balance	<u>\$ 233,647</u>
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## **BRANCH DISTRICT LIBRARY**

### **NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED DECEMBER 31, 2019**

#### **NOTE G – TAXES**

The Library's property taxes are levied each December 1. Taxes are collected by the local governmental units within Branch County and are remitted to County of Branch, which in turn remits them to the Library.

The 2019 tax rate was 1.105 mills.

Personal property taxes are accounted for as revenue as received, therefore, no provision for uncollectible personal property taxes has been made in these financial statements.

#### **NOTE H – LEASE AGREEMENT**

The Library leases its facilities from the City of Coldwater. The initial term of the lease is for twenty-five years, with rent in the amount of \$1 per year.

#### **NOTE I – DEFERRED COMPENSATION PLANS**

The Library offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all Library employees, permits them to defer a portion of their salary until future years. The deferred compensation is generally not available to the employees until termination, retirement, death or unforeseeable emergency.

The Library funds all amounts of compensation deferred under the plan, at the direction of the covered employee, through investments approved by the plan's committee.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are, held in trust for the exclusive benefit of the participating employees and are not assessable by the Library or its creditors.

The Library has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

The Library has established Money Purchase Plan for the Library Director and Assistant Director. The plan calls for contributions on the Director's behalf and contains no requirements for matching contributions from the participants. The Library contribution for the year ended December 31, 2019 amounted to \$6,000 and is recorded in the General Fund.

**BRANCH DISTRICT LIBRARY**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE J – RISK MANAGEMENT**

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries. The Library has purchased commercial insurance for the coverage of the above discussed events.

**BRANCH DISTRICT LIBRARY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
<b>REVENUES</b>			
Taxes	\$ 1,570,789	\$ 1,611,850	\$ 1,612,571
State aid	34,458	34,458	37,646
Charges for services	22,000	22,000	31,457
Penal fines	190,000	220,000	216,713
Interest earned	4,000	8,000	9,906
Reimbursements	12,000	12,000	16,562
Other revenue	5,000	1,000	5,756
	<hr/>	<hr/>	<hr/>
Total revenues	1,838,247	1,909,308	1,930,611
<b>EXPENDITURES</b>			
Cultural	1,973,607	1,970,516	1,797,241
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	(135,360)	(61,208)	133,370
<b>FUND BALANCE - BEGINNING</b>	696,407	752,777	805,983
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCE - ENDING</b>	<u>\$ 561,047</u>	<u>\$ 691,569</u>	<u>\$ 939,353</u>

**BRANCH DISTRICT LIBRARY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**SPECIAL REVENUE TRUST FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
<b>REVENUES</b>			
Interest earned	\$ 1,500	\$ 1,500	\$ 2,274
Donations	27,000	27,000	36,785
Total revenues	28,500	28,500	39,059
<b>EXPENDITURES</b>			
Cultural	15,000	15,000	15,996
Excess of revenues over expenditures	13,500	13,500	23,063
<b>FUND BALANCE - BEGINNING</b>	253,134	253,134	261,472
<b>FUND BALANCE - ENDING</b>	<u>\$ 266,634</u>	<u>\$ 266,634</u>	<u>\$ 284,535</u>



## BRANCH DISTRICT LIBRARY

### OTHER SUPPLEMENTAL INFORMATION GENERAL FUND STATEMENT OF EXPENDITURES COMPARED TO BUDGET FOR THE YEAR ENDED DECEMBER 31, 2019

CULTURAL	Budget	Actual	Over (Under) Budget
Salaries	\$ 1,049,268	\$ 1,005,376	\$ (43,892)
Board per diem	4,200	1,675	(2,525)
Payroll taxes	83,872	76,812	(7,060)
Insurance benefits	244,375	225,637	(18,738)
Workers compensation	1,000	3,433	2,433
Unemployment insurance	8,000	-	(8,000)
Deferred compensation	6,000	6,000	-
Liability insurance-employees	18,000	17,435	(565)
Employee benefits	5,000	2,351	(2,649)
Training and education	6,500	1,659	(4,841)
Travel - training	1,500	788	(712)
Travel - business	10,000	9,620	(380)
Rent and leases	2,000	2,000	-
Telecommunications	26,000	27,180	1,180
Utilities	31,000	29,714	(1,286)
Operating supplies	18,000	6,775	(11,225)
Office supplies	30,000	24,221	(5,779)
Janitorial supplies	3,000	2,446	(554)
Building/grounds maintenace materials	3,000	4,723	1,723
Postage	6,000	4,676	(1,324)
Interlibrary loans	1,000	643	(357)
Food and catering	200	248	48
Building and grounds maintenance services	45,000	29,293	(15,707)
Janitorial services	21,000	21,939	939
Other contractual services	22,000	25,875	3,875
Licensing and subscription services	45,000	32,145	(12,855)
Books	81,000	76,895	(4,105)
Periodicals	7,000	5,664	(1,336)
Audio visual	18,000	15,010	(2,990)
Digital services	34,489	28,413	(6,076)
Technology hardware	40,000	34,043	(5,957)
Technology equipment repair and supplies	2,000	3,201	1,201
Membership and dues	2,000	1,863	(137)
Community promotions	5,400	5,148	(252)
Performers	12,290	3,716	(8,574)
Food	2,700	1,749	(951)
Program supplies	12,290	17,139	4,849
Printing and binding	2,000	1,470	(530)
Public announcements	1,000	935	(65)
Bank and merchant charges	732	725	(7)
Management and consulting services	-	450	450
Legal and accounting services	50,000	37,969	(12,031)
Correction of prior year taxes	700	187	(513)
Unemployment insurance	8,000	-	(8,000)
<b>Total Cultural expenditures</b>	<b>\$ 1,970,516</b>	<b>\$ 1,797,241</b>	<b>\$ (173,275)</b>