

**BRANDON TOWNSHIP PUBLIC LIBRARY
OAKLAND COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2016**



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INDEPENDENT AUDITOR'S REPORT

To the Members of the Library Board
Brandon Township Public Library
Ortonville, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Brandon Township Public Library, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Brandon Township Public Library as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed 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.



Gabridge & Company, PLC
Grand Rapids, MI
March 15, 2017

Management's Discussion and Analysis

As management of the Brandon Township Public Library (the "Library" or "government"), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

- The assets of the Library exceeded its liabilities and deferred inflows at the close of this fiscal year by \$3,215,789 (shown as *net position*), representing an increase of \$69,018 over the previous fiscal year.
- During the year, the Library received \$1,056,083 in revenues and incurred \$987,065 in expenses, resulting in an increase in net position of \$69,018.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$432,537, or 47 percent of the general fund's total expenditures.

Overview of the Financial Statements

The Brandon Township Public Library's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The 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 a broad overview of the Library's financial position. They are presented using a method of accounting that is similar to a private sector business.

The *statement of net position* presents information on all of the Library's assets, liabilities, and deferred inflows of resources, with the difference being reported as the net position. Over time, increases or decreases in net position can serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The *statement of activities* presents information showing how the Library's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave, fixed asset activity, etc.).

The government-wide financial statements can be found on pages 11 - 12 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. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The Brandon Township Public Library uses fund accounting to ensure compliance with finance-related legal requirements.

Governmental Funds. The Library's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions 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. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide statements. These items are recorded in the government fund balance as expenditures. No depreciation is recorded on capital items. The balance sheet for governmental funds does not include any capital items or long-term debt. The Library has one governmental fund, its general fund.

The Library adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13 - 16 of this report.

Notes to the Financial Statements. The notes to the financial statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements.

The notes to the financial statements can be found on pages 17 - 26 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report further presents required supplementary information (RSI) that explains the information presented in the financial statements.

Required supplementary information can be found on page 28 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of overall financial position. In the case of the Library, assets exceeded liabilities and deferred inflows by \$3,215,789 at the close of the most recent fiscal year. The following table illustrates the varying results of the governmental activities that combine to capture the Library's total net position.

Brandon Township Public Library Net Position as of December 31, 2016 and December 31, 2015

	Governmental Activities	
	2016	2015
ASSETS		
<i>Current Assets</i>		
Cash & Cash Equivalents	\$ 531,101	\$ 825,801
Taxes Receivable	921,798	497,456
Due from Other Governments	-	-
Prepaid Items	28,986	5,113
Total Current Assets	<u>1,481,885</u>	<u>1,328,370</u>
<i>Noncurrent Assets</i>		
Capital Assets not being Depreciated	178,537	178,537
Capital Assets being Depreciated	2,561,521	2,635,048
Total Assets	<u>4,221,943</u>	<u>4,141,955</u>
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	7,804	4,355
Payroll Liabilities	-	15,036
Total Current Liabilities	<u>7,804</u>	<u>19,391</u>
<i>Noncurrent Liabilities</i>		
Compensated Absences	-	6,287
Total Liabilities	<u>7,804</u>	<u>25,678</u>
DEFERRED INFLOWS OF RESOURCES		
Taxes Levied for a Subsequent Period	998,350	969,506
Total Deferred Inflows of Resources	<u>998,350</u>	<u>969,506</u>
NET POSITION		
Net Investment in Capital Assets	2,740,058	2,813,585
Restricted	14,208	13,450
Unrestricted	461,523	319,736
Total Net Position	<u>\$ 3,215,789</u>	<u>\$ 3,146,771</u>

By far, the largest portion of the Library's net position (85%) reflects its investment in capital assets (e.g., land, buildings and improvements, equipment and furniture, and library books), less any related outstanding debt that was used to acquire those assets. The Library uses these capital assets to provide a variety of services to its patrons. Accordingly, these assets are not available

for future spending. Although the Library's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another portion of the Library's net position is unrestricted and may be used to meet the Library's ongoing obligations to its patrons and creditors, and makes up 14% of the total net position.

The remaining portion of the Library's net position represents resources that are subject to external restrictions on how they may be used. Restricted net position consists of 1% of the Library's total net position and is restricted for the purchase of books.

Cash decreased by \$294,700 in comparison to the prior year. The most significant reason for this decrease is related to the increase in taxes receivable, which increased by \$424,342. This was caused by a significant decrease in the cash collections of taxes in December 2016 when compared to the collections in December 2015. This change is a timing difference that relates only to the period when cash for taxes are collected, not to a change in tax revenues.

Taxes levied for a subsequent period increased by \$28,844 in comparison to the prior year. This is due to increases in the total taxable value of all properties in Oakland County, which causes an increase to total taxes receivable (which nets against the decrease to the receivable from cash collections discussed in the previous paragraph).

The compensated absences liability decreased to zero as result of new personnel policies.

At the end of the current fiscal year, the Library was able to report positive balances in all reported categories of net position / fund balance, both for the government as a whole, as well as for its governmental activities.

The Library's overall net position increased \$69,018 from the prior fiscal year. The reasons for this overall increase are discussed in the following section for governmental activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$69,018 from the prior fiscal year for an ending balance of \$3,215,789. The primary reason for the increase was related to the increase in total revenue exceeding the increase in total expenses.

Brandon Township Public Library
Change in Net Position for Fiscal Year Ended December 31, 2016
and December 31, 2015

	Governmental Activities	
	2016	2015
Program Revenues		
Charges for Services	\$ 22,742	\$ 21,736
Operating Grants & Contributions	32,097	38,337
Capital Grants & Contributions	-	10,156
Total Program Revenues	54,839	70,229
General Revenues		
Property Taxes	960,876	878,238
Interest	7,036	5,321
Other Income	23,409	43,355
State Aid	9,923	8,936
Total General Revenues	1,001,244	935,850
Total Revenues	1,056,083	1,006,079
Expenses		
Recreation and Culture	987,065	908,991
Total Expenses	987,065	908,991
Change in Net Position	69,018	97,088
<i>Net Position at Beginning of Period</i>	3,146,771	3,049,683
Net Position at End of Period	\$ 3,215,789	\$ 3,146,771

Property tax revenue increased by \$82,638 due to increases in the total taxable values of properties in the County. The Library is receiving lawsuit settlement payments in the amount of \$3,000 that are presented in other income.

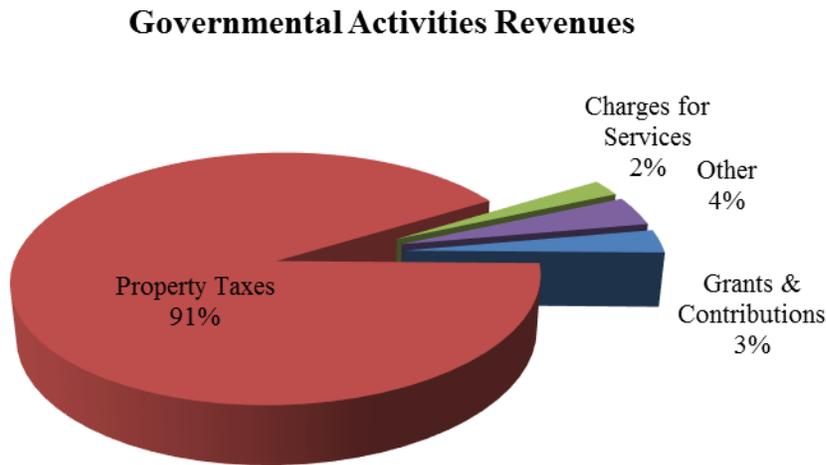
Total expenses increased by \$78,074 compared to the prior year. The most significant changes in expenses were increases to wages paid due to the addition new full-time staff member during the fiscal year. The Library also implemented a new quarterly newsletter that goes out to roughly 6,000 residents at a cost of \$14,069. The Library has also committed to replacing one fifth of the Library's computers over the next five years resulting in an increase in technology expenses.

The overall change in net position is a result of the Library Board's disciplined budget setting process and its effective monitoring of the Library's fiscal goals. This disciplined monitoring led

to the Library restoring its unrestricted net position to a positive balance, eliminating its deficit position well ahead of the Board’s original schedule.

Governmental Activities

The following chart details the revenue sources for the governmental activities of the Library for the most recent fiscal year end:



Two of the largest expenses for the Library were salaries and fringe benefits expense of \$572,644, and depreciation expense of \$168,866 which represented 58 percent and 17 percent, respectively, of the total expenses within the Library.

Financial Analysis of the Government’s Funds

The Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

General Fund - The general fund is the main operating fund of the Library. The general fund balance increased during the year by \$136,258, increasing the fund balance to \$475,731. As a measure of the general fund’s liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 47 percent of total general fund expenditures.

All revenues and expenditures were closely monitored by the Board and management during the year resulting in an increase of fund balance of \$136,258 for 2016, compared to an increase of \$168,130 in 2015.

Total revenues increased for the general fund by \$60,160 in comparison to the prior year, for the reasons discussed in the government-wide statements, such as increases in property tax revenues.

Total expenditures for the general fund increased by \$92,032 in comparison to the prior year. Some of the notable changes were increases in total wages, information technology, and community relations.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there were no significant adjustments between original and final budgets, only minor changes to better reflect actual results.

Final budget compared to actual results. The Library had one expenditure in excess of appropriations for community relations of \$2,407.

Capital Asset and Debt Administration

Capital Assets. The Library's investment in capital assets at year-end amounted to \$2,740,058 (net of accumulated depreciation). Capital assets of the Library include any items purchased that have an expected useful life of over one year and a cost of over \$500. The Library has invested in a broad range of capital assets. More information about the Library's capital assets can be found in the Notes to the Financial Statements section of this document.

Long-term Debt. The outstanding debt for the library building is the responsibility of Brandon Charter Township.

Economic Factors and Next Year's Budgets and Rates

Management estimates that approximately \$1,085,000 of revenues will be available for appropriation in the general fund in the upcoming budget. Property tax revenue is expected to increase due to the increased taxable value of all assessed properties in Oakland County for the 2016 tax millages.

Expenditures are expected to change by small amounts and to be comparable to 2016 operations. The Library continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2017, the Library plans again to use current revenues to provide essential services and to maintain the Library's financial reserves at similar levels. The ongoing costs of providing essential services for the citizens of the Library will again need to be monitored in order to maintain the financial condition of the Library.

Contacting the Library's Management

This financial report is designed to provide the wide variety of users of this document with a general overview of the Library's finances and demonstrate the Library's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to:

Brandon Township Public Library
304 South Street
Ortonville, Michigan 48462

**Brandon Township Public Library
Statement of Net Position
December 31, 2016**

	Primary Government
	Governmental Activities
ASSETS	
<i>Current Assets</i>	
Cash & Cash Equivalents	\$ 531,101
Taxes Receivable	921,798
Prepaid Items	28,986
Total Current Assets	1,481,885
<i>Noncurrent Assets</i>	
Capital Asset not Being Depreciated	178,537
Capital Assets Being Depreciated	2,561,521
Total Assets	4,221,943
LIABILITIES	
<i>Current Liabilities</i>	
Accounts Payable	7,804
Total Current Liabilities	7,804
<i>Noncurrent Liabilities</i>	
Total Liabilities	7,804
DEFERRED INFLOWS OF RESOURCES	
Taxes Levied for a Subsequent Period	998,350
Total Deferred Inflows of Resources	998,350
NET POSITION	
Net Investment in Capital Assets	2,740,058
<i>Restricted for:</i>	
Elainie Irving Fund	1,470
Cleo Cowles Fund	12,738
<i>Unrestricted</i>	461,523
Total Net Position	\$ 3,215,789

The Notes to the Financial Statements are an integral part of these Financial Statements

**Brandon Township Public Library
Statement of Activities
For the Year Ended December 31, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary Government Governmental Activities:					
Recreation & Culture	\$ 987,065	\$ 22,742	\$ 32,097	\$ --	\$ (932,226)
Total Primary Government	\$ 987,065	\$ 22,742	\$ 32,097	\$ --	\$ (932,226)
		General Purpose Revenues and Transfers:			
		Revenues			
					960,876
					9,923
					7,036
					23,409
		Transfers			--
		Total General Revenues and Transfers			1,001,244
		Change in Net Position			69,018
		<i>Net Position at Beginning of Period</i>			3,146,771
		Net Position at End of Period			\$ 3,215,789

The Notes to the Financial Statements are an integral part of these Financial Statements

**Brandon Township Public Library
Balance Sheet
Governmental Funds
December 31, 2016**

	General
ASSETS	
Cash & Cash Equivalents	\$ 531,101
Taxes Receivable	921,798
Prepaid Items	28,986
<i>Total Assets</i>	1,481,885
LIABILITIES	
Accounts Payable	\$ 7,804
<i>Total Liabilities</i>	7,804
DEFERRED INFLOWS OF RESOURCES	
Taxes Levied for a Subsequent Period	998,350
<i>Total Liabilities and Deferred Inflows of Resources</i>	1,006,154
FUND BALANCE	
Nonspendable	28,986
Restricted	14,208
Unassigned	432,537
<i>Total Fund Balance</i>	475,731
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	\$ 1,481,885

The Notes to the Financial Statements are an integral part of these Financial Statements

Brandon Township Public Library
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2016

Total Fund Balance - Governmental Funds	\$ 475,731
General government capital assets of \$5,304,530, net of accumulated depreciation of \$2,564,472, are not financial resources, and accordingly are not reported in the funds.	2,740,058
Total Net Position-Governmental Funds	\$ <u>3,215,789</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Brandon Township Public Library
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2016

	General
Revenues	
Property Taxes	\$ 960,876
Penal Fines	32,097
State Aid	9,923
Charges for Services	9,343
Library Fines & Fees	13,399
Interest	7,036
Other Income	23,409
<i>Total Revenues</i>	1,056,083
Expenditures	
Staff Wages	478,215
Fringe Benefits	94,429
Supplies	30,631
Cooperative Expenditures	30,837
Professional & Contractual Services	28,584
Professional Development	10,016
Property & Liability Insurance	13,946
Community Relations	36,107
Public Utilities	37,177
Repairs & Maintenance	53,445
Administrative Expenditures	1,317
Capital Outlay	95,339
Periodicals and Electronic Subscriptions	9,782
<i>Total Expenditures</i>	919,825
<i>Excess of Revenues Over</i>	
<i>(Under) Expenditures</i>	136,258
<i>Net Change in Fund Balance</i>	136,258
<i>Fund Balance at Beginning of Period</i>	339,473
<i>Fund Balance at End of Period</i>	\$ 475,731

The Notes to the Financial Statements are an integral part of these Financial Statements

Brandon Township Public Library
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended December 31, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	136,258
Governmental fund report capital outlay as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlay expenditures of \$95,339 less depreciation expense of \$168,866.		(73,527)
Changes to compensated absences are not shown in the fund financial statements. The net effect of the current year decrease is to increase net position.		6,287
Changes in Net Position-Governmental Funds	\$	<u>69,018</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Brandon Township Public Library

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Brandon Township Public 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 Library’s significant accounting policies.

Reporting Entity

Brandon Township Public Library (the “Library”) is located in the Charter Township of Brandon, Oakland County, Michigan. The Library is primarily funded through a tax levy, fines and fees, and state aid.

The Library is governed by an elected six-member board. The accompanying basic 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. Based on these criteria, there are no component units that are to be included in these financial statements.

The Library’s financial statements are included in the Charter Township of Brandon’s financial statements for the year ended December 31, 2016 as a discretely presented component unit.

Government-wide and Fund Financial Statements

The government-wide financial statements (e.g., the statement of position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. *Government 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. The Library only has governmental activities.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes; 1) charges to Library patrons 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 meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues, and are reported instead as general revenue.

The statement of net position includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library’s net position is reported in three parts; 1) net investment in capital assets 2) restricted net position, and 3) unrestricted net position.

Brandon Township Public Library

Notes to the Financial Statements

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible 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, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Intergovernmental revenue, charges for services 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.

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

The Library reports the following major governmental funds:

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

Financial Statement Amounts

Deposits and investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of 90 days or less when acquired. Investments are stated at fair value based on quoted market price and include certificates of deposit with an original maturity of greater than 90 days from the date of purchase. Certificates of deposit are stated at cost which approximates fair value.

Prepaid items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Brandon Township Public Library

Notes to the Financial Statements

The cost of prepaid items is recorded as expenditures / expenses when consumed rather than when purchased.

Receivables - All trade and property tax receivables are shown as net of allowance for uncollectible amounts, the library has no allowance recorded for any of its receivables.

Property Taxes - Properties are assessed as of December 31 and the related property taxes are billed and become a lien on December 1 of the following year. They are considered delinquent on March 1st of the next year, and are then added to the county tax rolls. Property taxes billed during the month of December will be used to finance the following year's operations. As such, these taxes are recorded as deferred inflows of resources at December 31.

Capital Assets - Capital assets are defined by the Library as assets with an initial cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated assets are reported at an estimated fair value at the date of donation. 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 all assets is provided on the straight-line basis over the following estimated useful lives:

<u>Decription</u>	<u>Method</u>	<u>Life</u>
Equipment & Furniture	Straight Line	5 years
Buildings & Improvements	Straight Line	40 years
Collections	Straight Line	10 years

Deferred Inflows of Resources - In addition to liabilities, the governmental funds balance sheet and 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(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Library has only one type of item, which arises under both the modified accrual and accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *taxes levied for a subsequent period*, is reported in both the governmental funds balance sheet and the government-wide statement of net position. These amounts represent taxes collected, or reported as taxes receivable, in December of the current year but are intended to finance the operation of the Library in the following fiscal year. Accordingly, these amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

Sometimes the Library will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide

Brandon Township Public Library

Notes to the Financial Statements

financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision making authority. The Library Board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the *assigned fund balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Library Board can assign fund balance, through a resolution, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance is the residual classification for the Library's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Library Board.

Fund Balance Flow Assumption

Sometimes the Library will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted

Brandon Township Public Library

Notes to the Financial Statements

fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

Subsequent Events

Management has evaluated subsequent events through March 15, 2017, the date on which these financial statements were available to be issued. Management is not aware of any subsequent events that would have a significant impact on the financial condition of the Library as of March 15, 2017.

New Accounting Standards Adopted

For December 31, 2016, the Library adopted Government Accounting Standards Board (“GASB”) Statement No. 72, Fair Value Measurement and Application. GASB 72 requires the funds to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or income approach. GASB 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. GASB 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurements. There was no material impact on the funds’ financial statements as a result of the implementation of GASB 72.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for the General Fund. All annual appropriations lapse at fiscal year end.

The appropriation level adopted by the Board is the level of control authorized under the Uniform Budgeting Act (P.A. 621 of 1978, as amended). State law requires the Library to have

Brandon Township Public Library

Notes to the Financial Statements

its budget in place by November 1. The Library is not considered in violation of the Act if reasonable procedures are in use by the Library to detect violations.

Budgeted amounts are as originally adopted, or as amended by the Library Board throughout the year. Individual amendments were not material in relation to the original appropriations which were amended.

Appropriations lapse at year end and therefore, cancel all encumbrances. These appropriations are reestablished at the beginning of the following year.

Excess of Expenditures over Appropriations

The Library had one expenditures in excess of appropriations for community relations of \$2,407 for the year ended December 31, 2016.

Note 3 - Deposits and Investments

The Library operates under PA 164, thus the Library Board is independently elected, approves its own budget, maintains control over expenditures of all funds credited to the Library and has the responsibility to see that adequate funding is provided. The Charter Township of Brandon has depository control of Library Funds.

The Library's deposits and investments were reported in the basic financial statements in the following categories:

Cash	\$ 139,906
Investments	<u>391,195</u>
Total	<u>\$ 531,101</u>

Interest rate risk – State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a mean of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with maximum maturities and ratings when purchased, banker's acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Township's investment policy does not have specific limits in excess of state law on investment credit risk. The Township's investments were not rated as of December 31, 2016.

Brandon Township Public Library

Notes to the Financial Statements

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a specific deposit policy for custodial credit risk. The federal depository insurance coverage pertains to all of the deposits of the Charter Township; hence, the specific coverage pertaining to the Library's deposits is not determinable.

Custodial credit risk – investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Township does not have a policy for investment custodial credit risk. The Township's investments at December 31, 2016 are not subject to custodial credit risk.

The investments are held with Oakland County's Local Government Investment Pool (LGIP). The LGIP is managed in accordance with the "2A-7 like pool" risk limiting requirements of GASB No. 31. The portfolio securities are valued by the amortized cost method and on a monthly basis the valuation is compared to current market to monitor any variance. At time of purchase, maturities must have a remaining maturity of 3 years or less. The weighted average maturity of the LGIP is approximately 1,000 days. The Township has the ability to withdraw its investments at any time without penalty.

Fair Value Measurement - The Library categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Library has the following recurring fair value measurements as of December 31, 2016:

- Deposits held with the Oakland County Local Government Investment Pool, with a balance of \$391,195 at December 31, 2016, are valued using significant other observable inputs (level 2 inputs).

Brandon Township Public Library

Notes to the Financial Statements

Note 4 – Capital Assets

A summary of the changes in capital assets is as follows:

Governmental Activities	Balance at 12/31/15	Additions	Disposals	Balance at 12/31/16
Capital assets not being depreciated				
Land	\$ 171,000	\$ -	\$ -	\$ 171,000
Artwork	7,537	-	-	7,537
Total	<u>178,537</u>	<u>-</u>	<u>-</u>	<u>178,537</u>
Capital assets being depreciated				
Buildings & Improvements	3,796,414	-	-	3,796,414
Computer Equipment	21,466	-	-	21,466
Equipment	60,725	-	-	60,725
Library Materials	887,931	90,971	184,320	794,582
Furniture & Fixtures	448,438	4,368	-	452,806
Total	<u>5,214,974</u>	<u>95,339</u>	<u>184,320</u>	<u>5,125,993</u>
Accumulated depreciation				
Buildings & Improvements	1,504,519	94,911	-	1,599,430
Computer Equipment	18,607	625	-	19,232
Equipment	50,600	1,645	-	52,245
Library Materials	560,294	70,360	184,320	446,334
Furniture & Fixtures	445,906	1,325	-	447,231
Total	<u>2,579,926</u>	<u>168,866</u>	<u>184,320</u>	<u>2,564,472</u>
Net depreciable capital assets	<u>\$ 2,635,048</u>	<u>(73,527)</u>	<u>-</u>	<u>\$ 2,561,521</u>
Net capital assets	<u>\$ 2,813,585</u>	<u>\$ (73,527)</u>	<u>\$ -</u>	<u>\$ 2,740,058</u>

The entire balance of \$168,866 of depreciation expense for the year was applied to the recreation and culture function.

Note 5 – Deferred Inflows of Resources

The governmental funds balance sheet and the government-wide statement of net position report taxes levied for a subsequent period in connection with revenue that are not considered to be available to liquidate liabilities of the current period as a deferred inflow. At the end of the current fiscal year, the taxes levied for a subsequent period was \$998,350 which represents the 2016 tax levy funds that have been collected, or reported as receivable, as of the end of the year but are intended to be used to finance operations during the next fiscal year.

Brandon Township Public Library

Notes to the Financial Statements

Note 6 – Long-term Debt

The Library building was funded through a bond issued by the Township. The bond is supported by a millage that is being paid by taxpayers of the Township.

The liability for compensated absences decreased to zero as a result of new personnel policies.

Note 7 - Fund Balance

Specific reservations on fund balance include:

Nonspendable – This classification represents the elements of fund balance that are not able to be spent due to lack of liquidity (e.g., prepaid expenditures). The nonspendable amount at year end was \$28,986.

Restricted – This classification represents the elements of fund balance that are restricted for the purpose of purchasing books from a contribution willed from Cleo Cowles and Elaine Irvin. The restricted amount at year end was \$12,738 and \$1,470 respectively for a total of \$14,208.

Note 8 - Defined Contribution Pension Plans

The Library has a defined contribution pension plan with MERS of Michigan. The Board administers the plan and has authority to establish and amend the plans. Employees are not required to contribute to the plans. The Board establishes the rates at which the Library will contribute to the plans. The Library contributed \$13,669 to the pension plan during the year.

Note 9 - 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 to cover these risks. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Brandon Township Public Library

Notes to the Financial Statements

Note 10 – Settlement

The Library was awarded a lawsuit settlement of \$92,000 with an interest rate of 2% on the unpaid balance. Monthly payments of \$250 shall be paid on the unpaid balance. Any default in the monthly payments will result in an increase in settlement of \$50,000 for a total judgment of \$142,000. A judgment does not guarantee receipt of funds from defendant. The amount remaining is as follows:

Original Settlement	\$	92,000
2015 Receipts		(33,015)
2016 Receipts		(3,000)
2% Interest		1,359
<i>Amount Remaining</i>	\$	<u>57,344</u>

REQUIRED SUPPLEMENTARY INFORMATION

Brandon Township Public Library
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
				<u>Final to Actual</u>
Revenues				
Property Taxes	\$ 969,506	\$ 969,506	\$ 960,876	\$ (8,630)
Penal Fines	21,000	21,000	32,097	11,097
State Aid	8,863	8,863	9,923	1,060
Charges for Services	7,550	7,550	9,343	1,793
Library Fines & Fees	13,500	13,500	13,399	(101)
Interest	5,050	5,050	7,036	1,986
Other Income	11,200	11,200	23,409	12,209
Total Revenues	<u>1,036,669</u>	<u>1,036,669</u>	<u>1,056,083</u>	<u>19,414</u>
Other Financing Sources				
Total Revenues and Other Financing Sources	<u>1,036,669</u>	<u>1,036,669</u>	<u>1,056,083</u>	<u>19,414</u>
Expenditures				
Staff Wages	502,222	502,222	478,215	24,007
Fringe Benefits	105,831	105,831	94,429	11,402
Supplies	26,600	32,900	30,631	2,269
Cooperative Expenditures	33,728	33,728	30,837	2,891
Professional & Contractual Services	27,450	30,150	28,584	1,566
Professional Development	10,300	11,500	10,016	1,484
Property & Liability Insurance	24,322	24,322	13,946	10,376
Community Relations	33,800	33,700	36,107	(2,407)
Public Utilities	41,216	41,216	37,177	4,039
Repairs & Maintenance	44,180	63,180	53,445	9,735
Administrative Expenses	3,200	3,200	1,317	1,883
Capital Outlay	171,520	144,719	95,339	49,380
Periodicals and Electronic Subscriptions	12,300	12,300	9,782	2,518
Total Expenditures	<u>1,036,669</u>	<u>1,038,968</u>	<u>919,825</u>	<u>119,143</u>
Other Financing Uses				
Total Expenditures and Other Financing Uses	<u>1,036,669</u>	<u>1,038,968</u>	<u>919,825</u>	<u>119,143</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>--</u>	<u>(2,299)</u>	<u>136,258</u>	<u>138,557</u>
Net Change in Fund Balance	<u>--</u>	<u>(2,299)</u>	<u>136,258</u>	<u>138,557</u>
Fund Balance at Beginning of Period	<u>339,473</u>	<u>339,473</u>	<u>339,473</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ 339,473</u>	<u>\$ 337,174</u>	<u>\$ 475,731</u>	<u>\$ 138,557</u>

March 15, 2017

To the Members of the Library Board
Brandon Township Public Library
Ortonville, Michigan

We have audited the financial statements of the governmental activities and the general fund of the Brandon Township Public Library, Michigan for the year ended December 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 30, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Library are described in Note 1 to the financial statements. As discussed in Note 1 to the Financial Statements, the Library adopted Governmental Accounting Standards Board Statement No 72. 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 estimates affecting the Library's financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

We evaluated key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

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 and completing 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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 March 15, 2017.

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 governmental unit's 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 or 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 Library's 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

We applied certain limited procedures to the management's discussion and analysis and budgetary schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of Trustees and management of the Library and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the printed name of the company.

Gabridge & Company, PLC
Grand Rapids, MI