

**BRANDON TOWNSHIP PUBLIC LIBRARY
OAKLAND COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2018**



TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
<hr/>	
Government-wide Financial Statements	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements	
Governmental Funds	
Balance Sheet	14
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balance	16
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance with the Statement of Activities	17
Notes to the Financial Statements	19
REQUIRED SUPPLEMENTARY INFORMATION	
<hr/>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	30

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 (the "Library"), as of and for the year ended December 31, 2018, 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 Library,

as of December 31, 2018, 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, 2019

Management's Discussion and Analysis

**Brandon Township Public Library
Management's Discussion and Analysis
December 31, 2018**

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, 2018. 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 \$3,321,629 (shown as *net position*). Of this amount, \$704,058 is unrestricted and may be used to meet the Library's ongoing obligations to citizens and creditors.
- During the year, the Library received \$1,145,534 in revenues and incurred \$1,077,909 in expenses, resulting in an increase in net position of \$67,625.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$703,505, or 69 percent of the general fund's total expenditures.

Overview of the Financial Statements

The 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., depreciation of capital assets).

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 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.

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.

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.

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 \$3,321,629 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, 2018 and December 31, 2017

	2018	2017
ASSETS		
<i>Current Assets</i>		
Cash & Cash Equivalents	\$ 1,171,622	\$ 668,115
Taxes Receivable	601,251	935,022
Prepaid Items	553	4,726
Total Current Assets	1,773,426	1,607,863
<i>Noncurrent Assets</i>		
Capital Assets not being Depreciated	178,537	178,537
Capital Assets being Depreciated	2,439,034	2,499,750
Total Assets	4,390,997	4,286,150
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	5,864	9,710
Total Liabilities	5,864	9,710
DEFERRED INFLOWS OF RESOURCES		
Taxes Levied for a Subsequent Period	1,063,504	1,022,436
Total Deferred Inflows of Resources	1,063,504	1,022,436
NET POSITION		
Investment in Capital Assets	2,617,571	2,678,287
Restricted	-	11,835
Unrestricted	704,058	563,882
Total Net Position	\$ 3,321,629	\$ 3,254,004

By far, the largest portion of the Library's net position (78.8%) 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.

The remaining 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 21.2% of the total net position.

Cash increased by \$503,507 in comparison to the prior year. One significant factor for the increase of cash was the difference in the timing that the Library received the taxes levied for a

subsequent period. Another reason for the cash increase was a result of strong operational performance as total revenues increased and the net change in fund balance improved compared to the prior year.

Taxes levied for a subsequent period increased by \$41,068 in comparison to the prior year. This is due to increases in the total taxable value of all properties the Library's service area, which causes an increase to total taxes receivable (which nets against the decrease to the receivable from cash collections discussed in the previous paragraph). Taxable values increased from \$524,243,791 on the 2017 tax roll to \$548,489,440 on the 2018 tax roll. Thus, there was a corresponding increase in taxes levied for a subsequent period.

At the end of the current fiscal year, the Library was able to report positive balances in all reported categories of net position and fund balance.

The Library's overall net position increased \$67,625 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 increased \$67,625 from the prior fiscal year for an ending balance of \$3,321,629.

Brandon Township Public Library
Changes in Net Position for the Fiscal Year Ended December 31, 2018 and
December 31, 2017

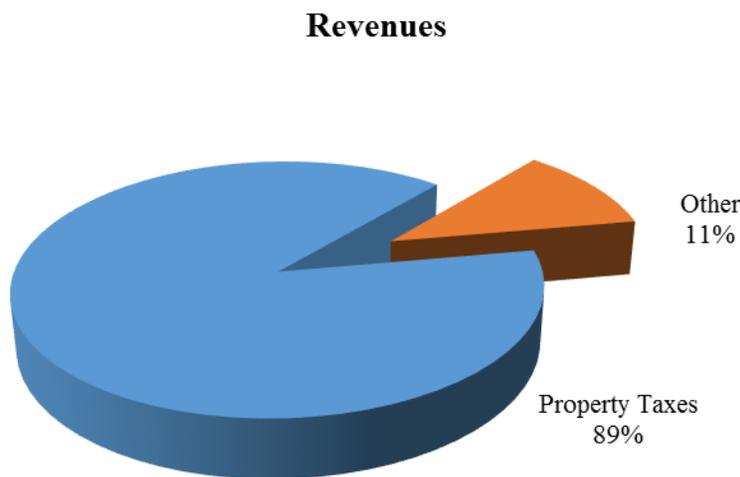
	2018	2017
Program Revenues		
Charges for Services	\$ 42,695	\$ 28,112
Operating Grants & Contributions	25,407	20,013
Total Program Revenues	68,102	48,125
General Revenues		
Property Taxes	1,018,102	993,687
Penal Fines	31,733	30,732
State Aid	11,128	9,926
Interest	16,469	10,610
Total General Revenues	1,077,432	1,044,955
Total Revenues	1,145,534	1,093,080
Expenses		
Recreation and Culture	1,077,909	1,054,865
Total Expenses	1,077,909	1,054,865
Change in Net Position	67,625	38,215
<i>Net Position at Beginning of Period</i>	3,254,004	3,215,789
Net Position at End of Period	\$ 3,321,629	\$ 3,254,004

Property tax revenue increased by \$24,415 due to increases in the total taxable values of properties in the Library’s service area. Charges for services also increased by \$14,583 in the current fiscal year.

Total expenses increased by \$23,044 compared to the prior year. The most significant change in expenses was an increase of \$24,417 in the area of repairs & maintenance, largely related to the costs to maintain the building. Staff wages also increased during the current fiscal year, but the increase was nearly offset by the decrease of expenses in the area of fringe benefits.

Governmental Activities

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



Two of the largest expenses for the Library were salaries and fringe benefits expense of \$576,496 and depreciation expense of \$171,841, which represented 53 percent and 16 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 \$128,341, increasing the fund balance to \$704,058. 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 69 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 \$128,341 for 2018, compared to an increase of \$99,986 in 2017.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there were no significant adjustments between original and final budgets, with one exception. The Library increased its repair and maintenance budget line item from \$89,450 to \$131,951 for unexpected roof repair.

Final budget compared to actual results. The Library did not have any expenditures in excess of appropriations during the year.

Capital Asset and Debt Administration

Capital Assets. The Library's investment in capital assets at year-end amounted to \$2,617,571 (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 \$1,285,880 of revenues will be available for appropriation in the general fund in the upcoming budget. Property tax revenue is expected to increase by another \$41,002 due to the increased taxable value of properties in the Library's service area.

Management estimates general operating expenditures to change by small amounts and to be comparable to 2018 operations. Management is expecting additional costs, based on the Strategic Plan, for technology upgrades, furniture in the community room, building maintenance including interior painting and carpeting, and a building facilities plan. 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 2019, the Library plans again to use current revenues to provide essential services and to use reserves for capital improvements based on the Strategic Plan. 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

Basic Financial Statements

Brandon Township Public Library
Statement of Net Position
December 31, 2018

ASSETS

Current Assets

Cash & Cash Equivalents	\$	1,171,622
Taxes Receivable		601,251
Prepaid Items		553
<i>Total Current Assets</i>		1,773,426

Noncurrent Assets

Capital Asset not Being Depreciated		178,537
Capital Assets Being Depreciated		2,439,034
<i>Total Assets</i>		4,390,997

LIABILITIES

Current Liabilities

Accounts Payable		5,864
<i>Total Liabilities</i>		5,864

DEFERRED INFLOWS OF RESOURCES

Taxes Levied for a Subsequent Period		1,063,504
<i>Total Deferred Inflows of Resources</i>		1,063,504

NET POSITION

Investment in Capital Assets		2,617,571
<i>Unrestricted</i>		704,058
<i>Total Net Position</i>	\$	3,321,629

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, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Recreation & Culture	\$ 1,077,909	\$ 42,695	\$ 25,407	\$ --	\$ (1,009,807)
<i>Total</i>	\$ 1,077,909	\$ 42,695	\$ 25,407	\$ --	\$ (1,009,807)
General Purpose Revenues:					
					31,733
					11,128
					1,018,102
					16,469
					1,077,432
					67,625
					3,254,004
					\$ 3,321,629

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

**Brandon Township Public Library
Balance Sheet
Governmental Fund
December 31, 2018**

		<u>General</u>	
ASSETS			
Cash & Cash Equivalents	\$	1,171,622	
Taxes Receivable		601,251	
Prepaid Items		553	
<i>Total Assets</i>	\$	1,773,426	
LIABILITIES			
Accounts Payable	\$	5,864	
<i>Total Liabilities</i>		5,864	
DEFERRED INFLOWS OF RESOURCES			
Taxes Levied for a Subsequent Period		1,063,504	
<i>Total Liabilities and Deferred Inflows of Resources</i>		1,069,368	
FUND BALANCE			
Nonspendable		553	
Unassigned		703,505	
<i>Total Fund Balance</i>		704,058	
<i>Total Liabilities, Deferred Inflows of Resources, and Balance</i>	\$	1,773,426	<i>Fund</i>

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

Brandon Township Public Library
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position
December 31, 2018

Total Fund Balance - Governmental Fund	\$	704,058
General government capital assets of \$5,310,168, net of accumulated depreciation of \$2,692,597, are not financial resources and, accordingly, are not reported in the funds.		2,617,571
Total Net Position - Governmental Activities	\$	<u>3,321,629</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 Fund
For the Year Ended December 31, 2018

	General
Revenues	
Property Taxes	\$ 1,018,102
Penal Fines	31,733
State Aid	11,128
Charges for Services	8,874
Library Fines & Fees	9,249
Interest	16,469
Other Income	49,979
<i>Total Revenues</i>	1,145,534
Expenditures	
Staff Wages	529,206
Fringe Benefits	47,290
Supplies	25,140
Cooperative Expenditures	11,024
Professional & Contractual Services	44,867
Professional Development	8,092
Property & Liability Insurance	14,314
Community Relations	45,658
Public Utilities	55,064
Repairs & Maintenance	123,870
Administrative Expenditures	1,543
Capital Outlay	111,125
<i>Total Expenditures</i>	1,017,193
<i>Excess of Revenues Over</i>	
<i>(Under) Expenditures</i>	128,341
<i>Net Change in Fund Balance</i>	128,341
<i>Fund Balance at Beginning of Period</i>	<i>575,717</i>
<i>Fund Balance at End of Period</i>	\$ 704,058

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

Brandon Township Public Library
Reconciliation of Governmental Fund Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended December 31, 2018

Total Net Change in Fund Balances - Governmental Fund	\$	128,341
<p>Governmental funds 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 depreciation expense of \$171,841 exceeds capital outlay expenditures of \$111,125.</p>		
		(60,716)
Changes in Net Position - Governmental Activities	\$	<u>67,625</u>

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

Notes to the 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 is located in the Charter Township of Brandon, Oakland County, Michigan. The Library is primarily funded through tax levies, 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, 2018 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 activities of the Library. The Library only reports *government activities*, which are supported by taxes and intergovernmental revenues.

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.

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

Brandon Township Public Library

Notes to the Financial Statements

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.

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. 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

Brandon Township Public Library

Notes to the Financial Statements

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 acquisition 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 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

Brandon Township Public Library

Notes to the Financial Statements

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 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.

Brandon Township Public Library

Notes to the Financial Statements

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, 2019, 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, 2019.

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 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 did not have any expenditures in excess of appropriations for the year ended December 31, 2018.

Brandon Township Public Library

Notes to the Financial Statements

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 the Library funds.

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

Cash	\$ 444,149
Investments	<u>727,473</u>
Total	<u>\$1,171,622</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, 2018.

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, 2018 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

Brandon Township Public Library

Notes to the Financial Statements

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. Accordingly, the Library's investments are reported as cash equivalents.

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, 2018:

- Deposits held with the Oakland County Local Government Investment Pool, with a balance of \$727,473 at December 31, 2018, 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:

	Balance at 12/31/17	Additions	Disposals	Balance at 12/31/18
Capital Assets not being Depreciated				
Land	\$ 171,000	\$ -	\$ -	\$ 171,000
Artwork	7,537	-	-	7,537
Total Capital Assets not Being Depreciated	<u>178,537</u>	<u>-</u>	<u>-</u>	<u>178,537</u>
Capital Assets Being Depreciated				
Buildings & Improvements	3,804,953	-	-	3,804,953
Computer Equipment	27,546	-	18,302	9,244
Equipment	60,725	-	14,482	46,243
Library Materials	798,329	111,125	91,069	818,385
Furniture & Fixtures	452,806	-	-	452,806
Total Capital Assets Being Depreciated	<u>5,144,358</u>	<u>111,125</u>	<u>123,853</u>	<u>5,131,631</u>
Accumulated Depreciation				
Buildings & Improvements	1,694,483	95,337	-	1,789,820
Computer Equipment	21,420	2,736	18,302	5,854
Equipment	53,890	1,645	14,482	41,053
Library Materials	426,188	70,726	91,069	405,845
Furniture & Fixtures	448,628	1,397	-	450,025
Total Accumulated Depreciation	<u>2,644,608</u>	<u>171,841</u>	<u>123,853</u>	<u>2,692,597</u>
Net Depreciable Capital Assets	<u>\$ 2,499,750</u>	<u>(60,716)</u>	<u>-</u>	<u>\$ 2,439,034</u>
Net Capital Assets	<u>\$ 2,678,287</u>	<u>\$ (60,716)</u>	<u>\$ -</u>	<u>\$ 2,617,571</u>

The entire balance of \$171,841 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 \$1,063,504 which represents the 2018 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 was supported by a millage that was paid by taxpayers of the Township. The bond was paid off during the fiscal year ended December 31, 2018.

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 \$553.

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 \$12,400 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 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 and, accordingly, no receivable has been recorded by the Library. The amount remaining is as follows:

Original Settlement	\$	92,000
2015 Receipts		(33,015)
2016 Receipts		(3,000)
2017 Receipts		(3,000)
2018 Receipts		(3,000)
2% Interest		3,571
<i>Amount Remaining</i>	\$	<u>53,556</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, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Property Taxes	\$ 1,012,209	\$ 1,012,209	\$ 1,018,102	\$ 5,893
Penal Fines	30,700	30,700	31,733	1,033
State Aid	9,800	9,800	11,128	1,328
Charges for Services	8,000	8,000	8,874	874
Library Fines & Fees	10,800	10,800	9,249	(1,551)
Interest	10,900	10,900	16,469	5,569
Other Income	17,400	79,106	49,979	(29,127)
Total Revenues	1,099,809	1,161,515	1,145,534	(15,981)
Expenditures				
Staff Wages	591,000	611,000	529,206	81,794
Fringe Benefits	57,050	57,050	47,290	9,760
Supplies	24,500	25,500	25,140	360
Cooperative Expenditures	9,000	14,300	11,024	3,276
Professional & Contractual Services	53,300	53,300	44,867	8,433
Professional Development	9,750	9,750	8,092	1,658
Property & Liability Insurance	32,000	32,000	14,314	17,686
Community Relations	37,900	46,400	45,658	742
Public Utilities	50,600	55,800	55,064	736
Repairs & Maintenance	89,450	131,951	123,870	8,081
Administrative Expenditures	1,500	1,600	1,543	57
Capital Outlay	143,759	122,864	111,125	11,739
Total Expenditures	1,099,809	1,161,515	1,017,193	144,322
Excess (Deficiency) of Revenues Over Expenditures	--	--	128,341	128,341
Net Change in Fund Balance	--	--	128,341	128,341
<i>Fund Balance at Beginning of Period</i>	<i>575,717</i>	<i>575,717</i>	<i>575,717</i>	<i>--</i>
Fund Balance at End of Period	\$ 575,717	\$ 575,717	\$ 704,058	\$ 128,341

March 15, 2019

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 (the "Library") for the year ended December 31, 2018. 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 February 18, 2019. 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. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended December 31, 2018. 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 Library's financial statements was:

- 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, 2019.

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 Library Board 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