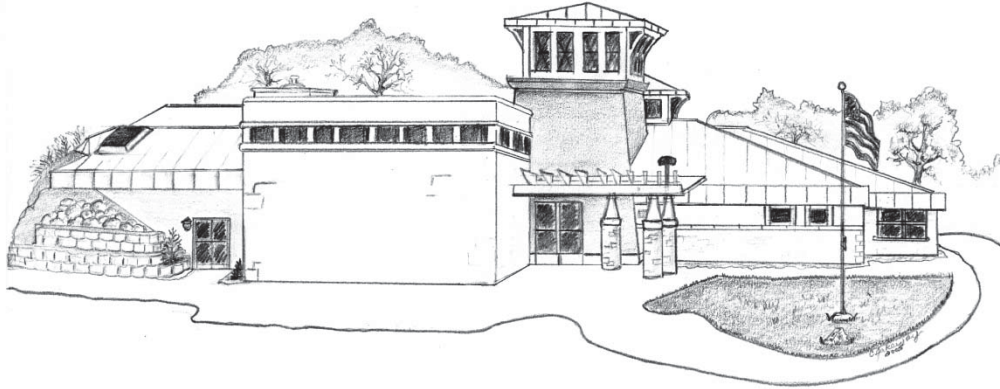

Bridgman Public Library



FINANCIAL REPORT WITH SUPPLEMENTARY INFORMATION

JUNE 30, 2017

Bridgman Public Library
Bridgman Michigan
June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Bridgman Public Library Board
Bridgman, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Bridgman Public Library (the "Library") as of and for the year ended June 30, 2017, 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 major fund of Bridgman Public Library, as of June 30, 2017, 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.

INDEPENDENT AUDITOR'S REPORT, CONCLUDED

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 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.

Respectfully submitted,

A handwritten signature in blue ink that reads "Kruegel, Lawton & Company, LLC". The signature is written in a cursive style.

Certified Public Accountants

St. Joseph, Michigan
November 7, 2017

Using this Annual Report

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplemental information. The basic financial statements include information that presents two different views of Bridgman Public Library (the "Library"):

- The first column of the financial statements includes information on Bridgman Public Library's general fund under the modified accrual method. These fund financial statements focus on current financial resources and provide a more detailed view about the accountability of Bridgman Public Library's sources and uses of funds.
- The adjustments column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The government-wide financial statement column provides both long-term and short-term information about Bridgman Public Library's overall financial status. The statement of net position and statement of activities provide information about activities of Bridgman Public Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.
- The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The required supplemental information section follows the basic financial statements and further explains and supports the information in the financial statements.

Condensed Financial Information

The Library's net position decreased by \$27,285 during the fiscal year 2017, ending the year at \$2,255,769. The following table shows the composition of the Library's net position at June 30, 2017 and 2016, respectively.

Management's Discussion and Analysis

| | June 30, | | Increase |
|----------------------------------|---------------------|---------------------|--------------------|
| | 2017 | 2016 | (Decrease) |
| Assets | | | |
| Current assets | \$ 618,519 | \$ 592,739 | \$ 25,780 |
| Capital assets - nondepreciable | 341,706 | 341,706 | - |
| Capital assets - net | 1,305,722 | 1,356,950 | (51,228) |
| Total Assets | <u>\$ 2,265,947</u> | <u>\$ 2,291,395</u> | <u>\$ (25,448)</u> |
| Current liabilities | <u>\$ 10,178</u> | <u>\$ 8,341</u> | <u>\$ 1,837</u> |
| Net Position | | | |
| Net investment in capital assets | \$ 1,647,428 | \$ 1,698,656 | \$ (51,228) |
| Restricted | 62,396 | 55,422 | 6,974 |
| Unrestricted | 545,945 | 528,976 | 16,969 |
| Total Net Position | <u>\$ 2,255,769</u> | <u>\$ 2,283,054</u> | <u>\$ (27,285)</u> |

The table below is a two-year comparison of the revenues and expenses of the Library. For the year ended June 30, 2017, expenses on the full accrual method of accounting exceeded revenues by \$27,285. For the year ended June 30, 2016, expenses exceeded revenues by \$29,883.

| | Year Ended June 30, | | Increase |
|---|---------------------|--------------------|-----------------|
| | 2017 | 2016 | (Decrease) |
| Revenue | | | |
| Property tax | \$ 184,701 | \$ 182,229 | \$ 2,472 |
| Penal and material fines | 54,815 | 61,812 | (6,997) |
| Lake Township contract | 122,605 | 122,045 | 560 |
| Contributions and memorials | 19,160 | 19,410 | (250) |
| Other | 39,200 | 25,675 | 13,525 |
| Total Revenue | <u>\$ 420,481</u> | <u>\$ 411,171</u> | <u>\$ 9,310</u> |
| Expenses | | | |
| Personnel | \$ 234,058 | \$ 225,534 | \$ 8,524 |
| Depreciation | 88,505 | 91,861 | (3,356) |
| Other | 125,203 | 123,659 | 1,544 |
| Total Expenses | <u>\$ 447,766</u> | <u>\$ 441,054</u> | <u>\$ 6,712</u> |
| Deficit of Revenues Under Expenses | <u>\$ (27,285)</u> | <u>\$ (29,883)</u> | <u>\$ 2,598</u> |

Bridgman Public Library as a Whole

- Bridgman Public Library's net position decreased this year by 1.2%.
- Bridgman Public Library's primary source of revenue in the current year was property taxes, which accounted for 44 percent of total revenue. The remaining revenue sources include a contract with Lake Charter Township, which represents 29 percent of total revenue; and library fines (including penal fines), which represent 13 percent of total revenue. Penal fines are unpredictable and vary yearly depending on police activity and court costs.
- Personnel expenses are a significant cost to Bridgman Public Library, representing 52 percent of total expenses.

General Fund Operations

While the Library's final fiscal 2017 budget for the general fund projected no change to fund balance, the actual results for the year shows an increase in fund balance of \$23,943. The ending general fund unassigned fund balance of \$453,945 represents approximately 115% of total general fund expenditures. The benchmark used to measure the health of a library's unassigned general fund balance is the ability to absorb three months' worth of operating expenditures. The Library has exceeded this benchmark.

Library Budgetary Highlights

The final budgeted revenues were \$394,000 while actual revenue collections were \$420,482. One primary reason for this variance is the change in beneficial interest, which had a variance in excess of \$10,000. This amount can be difficult to predict year to year.

The final budgeted expenditures were \$394,000 while actual expenditures spent were \$396,539. While most budget line items were close to actual amounts and within budget, supplies expenditures were in excess of budget by approximately \$8,300. This was due to recognition of unanticipated donations of several capital assets.

Capital Assets and Debt Administration

At the end of the fiscal year, Bridgman Public Library had approximately \$1.65 million invested in land, building, furnishings, equipment, books, and materials. During the current fiscal year, the Library added various tables and chairs in the amount of approximately \$8,700, and books and materials in the amount of approximately \$29,000.

Bridgman Public Library's debt rating is excellent. No debt was issued during the fiscal year.

Future Operating Plans

The Library is committed to prudent management of taxpayer dollars. The Library contracts with Blossomland Accounting to ensure professional preparation of the Library's financial reports, payroll, and taxes. The Library's Joint Board of Directors is diligent in their management of Library funds, with a careful review of monthly financial reports at each Board meeting. In June of 2017, the Board committed \$10,000 to expenses on the Facilities Replacement and Maintenance Schedule. Because these expenses are not provided for in the Library's regular operating budget, the Board plans to save for them annually as funding permits. In 2017, the Bridgman Public Library undertook a strategic planning process to consider the needs of the community and to determine which of those needs the Library should meet. The Library hired consultants from Library Strategies to facilitate the process. Over 175 community members provided input to the strategic plan. The Joint Board of Directors budgeted \$20,000 for strategic planning using money from the Library's savings. In 2018, the Library anticipates it will have to use its savings again to fund some of the initiatives in the new strategic plan.

Contacting the Library's Management

This financial report is designed to provide a general overview of the Library's finances and accountability of the public trust. Questions regarding any of the information provided in this report or requests for additional information should be addressed to the Board President of the Bridgman Public Library, 4460 Lake Street, Bridgman, MI 49106.

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION
JUNE 30, 2017

| | General Fund - Modified Accrual Basis | Adjustments | Statement of Net Position - Full Accrual Basis |
|---|---|---------------------|--|
| Assets | | | |
| Cash and cash equivalents | \$ 159,666 | \$ - | \$ 159,666 |
| Investments | 368,930 | - | 368,930 |
| Beneficial interest in assets held by Community Foundation | 89,923 | - | 89,923 |
| Capital assets - Nondepreciable | - | 341,706 | 341,706 |
| Capital assets - Subject to depreciation - Net | - | 1,305,722 | 1,305,722 |
| Total assets | <u>\$ 618,519</u> | <u>\$ 1,647,428</u> | <u>\$ 2,265,947</u> |
| Liabilities | | | |
| Accounts payable and other liabilities | <u>\$ 10,178</u> | <u>\$ -</u> | <u>\$ 10,178</u> |
| Fund Balance/Net Position | | | |
| Fund balance: | | | |
| Non spendable: | | | |
| Beneficial interest in Community Foundation | \$ 62,396 | \$ (62,396) | \$ - |
| Committed: | | | |
| Facilities Replacement | 85,000 | (85,000) | - |
| Assigned: | | | |
| Budgeted deficit for 2017-2018 | 7,000 | (7,000) | - |
| Unassigned | 453,945 | (453,945) | - |
| Total fund balance | <u>\$ 608,341</u> | <u>\$ (608,341)</u> | <u>\$ -</u> |
| Total liabilities and fund balance | <u>\$ 618,519</u> | <u>\$ (608,341)</u> | <u>\$ 10,178</u> |
| Net Position | | | |
| Net investment in capital assets | | \$ 1,647,428 | \$ 1,647,428 |
| Restricted for endowment | | 62,396 | 62,396 |
| Unrestricted | | 545,945 | 545,945 |
| Total net position | | <u>\$ 2,255,769</u> | <u>\$ 2,255,769</u> |

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

STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCE/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

| | General Fund - Modified Accrual Basis | Adjustments | Statement of Changes in Net Position - Full Accrual Basis |
|--|---|--------------|--|
| Revenues | | | |
| State sources | \$ 8,346 | \$ - | \$ 8,346 |
| Investment income | 8,104 | - | 8,104 |
| Property tax | 184,701 | - | 184,701 |
| Penal and material fines | 54,815 | - | 54,815 |
| Lake Township contract | 122,605 | - | 122,605 |
| Contributions and memorials | 19,160 | - | 19,160 |
| Other | 12,699 | - | 12,699 |
| Change in beneficial interest | 10,051 | - | 10,051 |
| Total revenues | \$ 420,481 | \$ - | \$ 420,481 |
| Expenditures | | | |
| Personnel | \$ 234,058 | \$ - | \$ 234,058 |
| Insurance | 11,933 | - | 11,933 |
| Supplies | 33,349 | (8,713) | 24,636 |
| Professional services and dues | 11,577 | - | 11,577 |
| Community promotion | 6,449 | - | 6,449 |
| Public utilities | 16,895 | - | 16,895 |
| Repairs and maintenance | 26,867 | - | 26,867 |
| Audiovisual and books | 34,766 | (28,564) | 6,202 |
| Technology and other | 13,844 | - | 13,844 |
| Staff/Board development | 3,322 | - | 3,322 |
| Miscellaneous | 3,478 | - | 3,478 |
| Depreciation | - | 88,505 | 88,505 |
| Total expenditures | \$ 396,538 | \$ 51,228 | \$ 447,766 |
| Excess (Deficit) of Revenue Over (Under) | | | |
| Expenditures | \$ 23,943 | \$ (51,228) | \$ (27,285) |
| Fund Balance/Net Position - Beginning of Year | 584,398 | 1,698,656 | 2,283,054 |
| Fund Balance/Net Position - End of Year | \$ 608,341 | \$ 1,647,428 | \$ 2,255,769 |

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

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bridgman Public Library (the “Library”) is located in the City of Bridgman, Michigan and is governed by a partially elected/partially appointed Joint Board of Directors. The Library is primarily funded through a tax levy, fines, fees, and charitable donations. Revenue is used to operate and staff the Library. 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 the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements.

The accounting policies of the Library conform to accounting principles generally accepted in the United State of America (“GAAP”) as applicable to governmental units.

Measurement Focus, Basis of Accounting, and Financial Statements Presentation

The Library’s basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library’s major funds).

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net position includes and recognizes all long-term assets and receivables as well as long-term debt and obligations.

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within 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, expenditures relating to compensated absences are recorded only when payment is due.

Property Tax Revenue

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

The Library's 2016 ad valorem tax is levied and collectible on July 1, 2016 and is recognized as revenue in the year ended June 30, 2017, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2016 taxable valuation of the Library's district totaled \$102,649,476 on which ad valorem taxes levied consisted of 1.7347 mills for operating purposes. This resulted in tax revenues of approximately \$182,000 for operating purposes, which are recognized in the General Fund. In addition to this, during fiscal 2017 the Library received a State-mandated reimbursement of personal property tax, resulting in revenues of approximately \$3,000.

Assets, Liabilities, Fund Balance and Net Position

Bank Deposits and Investments – The Library considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital Assets – Capital assets are defined by the Library as assets with an initial cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repair and maintenance are expenses as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| | |
|---|----------|
| Buildings | 40 years |
| Land improvement | 15 years |
| Furniture and equipment | 10 years |
| Library books – Reference | 10 years |
| Audiovisuals and books (hard and soft covers) | 5 years |

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Deferred Outflows of Resources — In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred Inflows of Resources — In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of sources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, for long-term receivables. These amounts are deferred and recognized as an inflow of resources in the period that amounts become available.

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund Balance - The Library follows Governmental Accounting Standards Board ("GASB") Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The following are definitions for the five fund balance classifications:

1. **Non spendable fund balance** –includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
2. **Restricted fund balance** –includes amounts that can be spent only for the specific purposes stipulated by what the external resource provides (for example grant providers, constitutionally, or through enabling legislation. Effectively restrictions may be changed or lifted only with the consent of resource providers.
3. **Committed fund balance**– 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. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.
4. **Assigned fund balance**–includes amounts that are constrained by the government’s intent to be used for a specific purpose, but are neither restricted nor committed.
5. **Unassigned fund balance** – is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Fund Equity Flow Assumptions – 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 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.

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED

Net Position Flow Assumption – Sometimes the Library will fund outlays for particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted 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.

Comparative Data — Comparative data is not included in the Library's financial statements.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The General Fund's fund balance and the net change in fund balance differ from net position and change in net position reported in the statement of net position and statement of activities. The difference results primarily from the long-term economic focus of the statement of net position and statement of activities versus the economic focus of the statement of the governmental fund balance sheet and statement of revenue, expenditures, and changes in fund balance. The following is a reconciliation of fund balance to net position and the net change in fund balance to the net change in net position:

| | |
|--|---------------------|
| Total Fund Balance - Modified accrual basis | \$ 608,341 |
| Amounts reported in the Statement of Net Position are different because capital assets are not financial resources and are not reported in the funds | 1,647,428 |
| Total Net Position - Full accrual basis | <u>\$ 2,255,769</u> |
| Net Change in Fund Balances - Modified accrual basis | \$ 23,943 |
| Amounts reported in the Statement of Activities are different because governmental funds report capital outlays as expenditures; in the Statement of Activities these costs are allocated over their estimated useful lives as depreciation: | |
| Library books, material, and equipment | 37,277 |
| Depreciation | <u>(88,505)</u> |
| Change in Net Position of Governmental Activities - Full accrual basis | <u>\$ (27,285)</u> |

NOTE 3. BUDGET INFORMATION

The annual budget is prepared by the Finance committee and adopted by The Board in July of each year. Subsequent amendments are made in a legally permissible manner, and approved by the Board periodically throughout the year. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. There are no encumbrances outstanding at June 30, 2017. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget can be found in the required supplemental information.

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, the Library incurred the following expenditures in excess of budgeted amounts:

| | Budget | Actual | Variance |
|----------|-----------|-----------|----------|
| Supplies | \$ 25,000 | \$ 33,349 | \$ 8,349 |

Funds sufficient to provide for excess expenditures were made available from other functions in the Library, and the excess had no impact on the overall financial results of the Library.

NOTE 4. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

NOTE 4. DEPOSITS AND INVESTMENTS, CONCLUDED

The Library has designated four banks for the deposit of its funds. The investment policy adopted by The Board in accordance with Public Act 196 of 1997 has authorized investment in mutual funds and investment pools investing only in bonds and securities of the United States government, bank accounts, and CDs, but not the remainder of state statutory authority as listed above. The Library's deposits and investment policies are in accordance with statutory authority.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. At year end, \$185,260 of the Library's bank deposits of \$540,599 (checking and savings accounts) were uninsured and uncollateralized. The Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Fair Value Measurement

The Library categorizes its fair value measurements within the 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 June 30, 2017:

Certificates of deposits with a balance of \$368,930 valued using significant observable inputs other than quoted prices in active markets (Level 2).

NOTE 5. ASSETS HELD AT COMMUNITY FOUNDATION

The Library has both an endowed and a non-endowed fund that are administered by Berrien Community Foundation ("BCF") for the benefit of the Library. BCF is a public charity that is funded through donations by a large number of contributors. The funds consist strictly of donations directed to BCF by the Library. The Library has recorded the funds as a beneficial interest in the funds held by BCF. This asset has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be received by the Library.

NOTE 5. ASSETS HELD AT COMMUNITY FOUNDATION, CONCLUDED

A summary of changes in assets held at BCF is as follows:

| | <u>Non-Endowed</u> | <u>Endowed</u> | <u>Total</u> |
|----------------------------|--------------------|------------------|------------------|
| Balance, Beginning of Year | \$ 24,450 | \$ 55,422 | \$ 79,872 |
| Net Change | 3,077 | 6,974 | 10,051 |
| Balance, End of Year | <u>\$ 27,527</u> | <u>\$ 62,396</u> | <u>\$ 89,923</u> |

Additionally, the Library established an endowment fund with BCF for the benefit of the Library and funded from third-party donations. The purpose of the fund is to provide support and furtherance of the programs and activities of the Library. The Library does not control the fund, because BCF maintains variance power and legal ownership by agreement. Therefore, the Library does not record an asset representing the fair value of the fund at year end. The current value of the fund as of June 30, 2017 was \$8,125.

NOTE 6. RISK MANAGEMENT

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

NOTE 7. LAKE TOWNSHIP CONTRACT

Effective, January 1, 2013, the Library entered a 5-year agreement with Lake Charter Township (the "Township") to issue library cards and provide full library services to the residents of the Township on the same basis that said facilities are available to the residents of the City of Bridgman. The Township will also have representation of 3 residents to be voting members to the Library Board.

The Township pays .10 (one tenth) mil of their taxable valuation in quarterly installments and allocates 100% of the population of the Township to the Library for purposes of calculating penal fines under Act 59 of the Public Acts of 1964, as amended.

The total amount contributed to the Library from the Township for the fiscal year 2017 was \$122,605.

NOTE 8. CAPITAL ASSETS

Capital asset activity of the Library's governmental activities was as follows:

| Governmental Activities | Balance July 1, 2016 | Additions | Disposals / Transfers | Balance June 30, 2017 |
|--|-------------------------|-------------|--------------------------|--------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 341,706 | \$ - | \$ - | \$ 341,706 |
| Capital assets being depreciated: | | | | |
| Building | \$ 1,819,565 | \$ - | \$ - | \$ 1,819,565 |
| Land improvements | 159,362 | - | - | 159,362 |
| Furniture and equipment | 365,398 | 8,713 | - | 374,111 |
| Library books, periodicals, and videos | 663,883 | 28,564 | (50,000) | 642,447 |
| Subtotal | \$ 3,008,208 | \$ 37,277 | \$ (50,000) | \$ 2,995,485 |
| Less accumulated depreciation | | | | |
| Building | \$ (733,177) | \$ (45,489) | \$ - | \$ (778,666) |
| Land improvements | (81,665) | (10,624) | - | (92,289) |
| Furniture and equipment | (265,706) | (16,194) | - | (281,900) |
| Library books, periodicals, and videos | (570,710) | (16,198) | 50,000 | (536,908) |
| Subtotal | \$ (1,651,258) | \$ (88,505) | \$ 50,000 | \$ (1,689,763) |
| Net capital assets being depreciated | \$ 1,356,950 | \$ (51,228) | \$ - | \$ 1,305,722 |
| Net capital assets | \$ 1,698,656 | \$ (51,228) | \$ - | \$ 1,647,428 |

Depreciation for the fiscal year ended June 30, 2017 amounted to \$87,077. The Library determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 9. TAX ABATEMENTS

Management has evaluated tax abatements related to the Library and determined none is material for disclosure as of June 30, 2017.

NOTE 10. SUBSEQUENT EVENTS

The Library has evaluated subsequent events through November 7, 2017, the date the financial statements were available to be issued. No events or transactions occurred during this period which require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|---|--------------------------|--------------------------|--------------------------|------------------------------------|
| Revenues | | | | |
| State sources | \$ 5,000 | \$ 5,000 | \$ 8,346 | \$ 3,346 |
| Investment income | 7,200 | 7,200 | 8,104 | 904 |
| Property tax | 180,000 | 180,000 | 184,701 | 4,701 |
| Penal and material fines | 59,800 | 59,800 | 54,815 | (4,985) |
| Lake Township contract | 122,000 | 122,000 | 122,605 | 605 |
| Contributions and memorials | 10,200 | 10,200 | 19,160 | 8,960 |
| Other | 9,800 | 9,800 | 12,699 | 2,899 |
| Change in beneficial interest | - | - | 10,051 | 10,051 |
| Total revenues | <u>\$ 394,000</u> | <u>\$ 394,000</u> | <u>\$ 420,481</u> | <u>\$ 26,481</u> |
| Expenditures | | | | |
| Personnel | \$ 240,000 | \$ 235,000 | \$ 234,058 | \$ 942 |
| Insurance | 11,900 | 12,400 | 11,933 | 467 |
| Supplies | 22,500 | 25,000 | 33,349 | (8,349) |
| Professional services and dues | 12,000 | 12,000 | 11,577 | 423 |
| Community promotion | 5,200 | 7,700 | 6,449 | 1,251 |
| Public utilities | 19,000 | 17,000 | 16,895 | 105 |
| Repairs and maintenance | 27,000 | 27,000 | 26,867 | 133 |
| Audiovisual and books | 35,000 | 35,000 | 34,766 | 234 |
| Technology and other | 13,000 | 15,500 | 13,844 | 1,656 |
| Staff/Board development | 3,000 | 3,500 | 3,322 | 178 |
| Miscellaneous | 2,400 | 3,900 | 3,478 | 422 |
| Total expenditures | <u>\$ 391,000</u> | <u>\$ 394,000</u> | <u>\$ 396,538</u> | <u>\$ (2,538)</u> |
| Excess of Revenues Over Expenditures | \$ 3,000 | \$ - | \$ 23,943 | \$ 23,943 |
| Fund Balance - Beginning of Year | <u>584,398</u> | <u>584,398</u> | <u>584,398</u> | |
| Fund Balance - End of Year | <u><u>\$ 587,398</u></u> | <u><u>\$ 584,398</u></u> | <u><u>\$ 608,341</u></u> | |