

**ADRIAN DISTRICT LIBRARY  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016  
WITH  
INDEPENDENT AUDITORS' REPORT**

DRAFT

**ADRIAN DISTRICT LIBRARY**  
**INDEPENDENT AUDITORS' REPORT**  
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## **Adrian District Library Management's Discussion and Analysis**

The Adrian District Library (the "Library"), located in the City of Adrian in Lenawee County, Michigan is in its first year of implementing the requirements of Governmental Accounting Standards Board (GASB) in its annual audit report. This section presents management's discussion and analysis of the Library's financial performance during the fiscal year ended June 30, 2016 and is intended to serve as an introduction to the Library's basic financial statements. The Library is an independent taxing authority and receives 2.5 mils from the residents of the City of Adrian for its operations. This millage rate is subject to Headlee rollback and was assessed at 1.6105 mils. Assets for the Adrian District Library for the fiscal year ending in June 2016 include the General Fund.

### **Overview of Financial Statements**

The Library's basic financial statements consist of three basic components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information required by GASB.

### **Government-wide Financial Statements**

The *government-wide* financial statements provide readers information about the Library's finances as a whole, using accounting methods similar to a private-sector business. The two government-wide statements are the Statement of Net Position and the Statement of Activities.

The *statement of net position* presents all of the Library's assets and liabilities, the difference between the two being reported as net position. Capital assets and long-term debt are included as assets and liabilities, respectively, in this statement, which were previously reported in separate account groups. Increases or decreases in the Library's net position are an indicator of whether its financial position is improving or deteriorating.

The *statement of activities* reports the current year's revenues and expenses, regardless of when cash is received or paid. The governmental activities of the Library include providing a diverse collection of books, periodicals, audio visual materials and online resources to meet informational, educational, cultural, and remedial needs of the community with a special role in the community of collecting and preserving local historical and genealogical materials.

### **Governmental Fund Financial Statements**

The *fund financial statements* focus on the General Fund of the Library. The fund financial statements provide more detailed information than the government-wide statements and focus on the Library's major fund. The Library's operational activities are reported in the General Fund.

The focus of the governmental fund is on near-term inflows and outflows of spendable resources available at the end of the fiscal year. The information should be useful in evaluating the Library's near-term financing requirements. The General Fund is considered to be the major fund for the Library. The General Fund accounts for all other resources that do not have a specific purpose.

The *Notes to the Financial Statements* provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The statements are followed by *required supplementary information* that further explains and supports the financial statements and include a comparison with the Library's budget for the year.

## Financial Analysis

### Overall Financial Analysis

The Library had a net position of \$433,966 as of June 30, 2016, which increased by \$281,762 from the beginning of the year.

The government-wide Statement of Net Position and Statement of Activities are summarized in tables 1 and 2, respectively.

**Table 1:**

	<b>Governmental Activities</b>
	<b>2016</b>
<b>ASSETS:</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 387,773
Investments	-
Accounts receivable	555
Due from other governments	592
Total current assets	<u>388,920</u>
<b>Noncurrent assets:</b>	
Capital assets	6,248,142
Less: Accumulated depreciation	<u>(6,112,320)</u>
Total non current assets	<u>135,822</u>
Total assets	<u><u>\$ 524,742</u></u>
<b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable	6,119
Accrued expenses	18,330
Due to other governments	14,710
Total current liabilities	<u>39,159</u>
<b>Noncurrent liabilities:</b>	
Accrued sick and vacation	<u>9,669</u>
Total noncurrent liabilities	<u>9,669</u>
Total liabilities	48,828
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>41,948</u>
<b>Net position:</b>	
Invested in capital assets, net of related debt	135,822
Unrestricted	<u>298,144</u>
Total net position	<u><u>\$ 433,966</u></u>

**Table 2:**

		<u>Governmental Activities</u>
		<u>2015</u>
<b>Program revenues:</b>		
<b>Charges for services:</b>		
Charges for services		16,380
<b>Operating grants:</b>		
Donations		11,568
Total program revenues		<u>27,948</u>
<b>General revenues:</b>		
Property taxes received from the City of Adrian		919,234
Investment earnings		2,614
State sources-unrestricted		3,141
Penal fines from Lenawee County		68,186
Other		4,620
Total general revenues		<u>997,795</u>
Total revenues		<u>1,025,743</u>
<b>Program Expenses:</b>		
Library		734,426
Depreciation		9,555
Total expenses		<u>743,981</u>
Change in net position		281,762
Beginning Net Position		<u>152,204</u>
Ending Net Position		<u>\$ 433,966</u>

**Analysis of Individual Funds**

The General Fund balance increased by \$291,317.

## **General Fund Budgetary Highlights**

The local revenue exceeded the budget by \$1,022.

General operating revenue totaled \$1,025,743 with final budgeted amount of \$1,027,793.

All expenses for the year, including salaries and wages, purchased services, supplies and materials, capital outlay, miscellaneous and other uses and transactions totaled \$734,426 versus a budget of \$1,027,793.

## **Capital Asset and Long-term Debt Activity**

### **Capital Assets**

Capital assets decreased by \$9,555 from June 30, 2015, which is depreciation.

### **Long-term Debt Activity**

As of this time, there is no significant debt activity, nor are there any changes in credit ratings or debt limitations.

### **Factors Bearing on the Library's Future**

The District Library Board took a conservative approach in developing the budget for fiscal year 2016-17.

### **Requests for Information**

This financial report is designed to provide a general overview of the finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Adrian District Library's Director, 143 E. Maumee St., Adrian, MI 49221.



To the Library Board  
Adrian District Library  
Adrian, Michigan

## **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Adrian District Library, as of and for the year ended June 30, 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 examining the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Library Board  
Adrian District Library  
Adrian, Michigan

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Adrian District Library as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof 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 on pages i through iv 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.

Baker, Eaton & Owen  
Adrian, Michigan

September 27, 2016

**ADRIAN DISTRICT LIBRARY  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

	<u>Governmental Activities</u>
	<u>2016</u>
<b>ASSETS:</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 387,773
Investments	-
Accounts receivable	555
Due from other governments	592
	<hr/>
Total current assets	388,920
<b>Noncurrent assets:</b>	
Capital assets	6,248,142
Less: Accumulated depreciation	(6,112,320)
	<hr/>
Total non current assets	135,822
	<hr/>
Total assets	<u>\$ 524,742</u>
<b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable	6,119
Accrued expenses	18,330
Due to other governments	14,710
	<hr/>
Total current liabilities	39,159
<b>Noncurrent liabilities:</b>	
Accrued sick and vacation	9,669
	<hr/>
Total noncurrent liabilities	9,669
	<hr/>
Total liabilities	48,828
<b>DEFERRED INFLOWS OF RESOURCES</b>	
	<hr/>
Total	41,948
<b>Net position:</b>	
Invested in capital assets, net of related debt	135,822
Unrestricted	298,144
	<hr/>
Total net position	<u>\$ 433,966</u>

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

**ADRIAN DISTRICT LIBRARY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Functions/programs</u>	<u>Program Revenues</u>			<u>Total</u>
	<u>Expenses</u>	<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental Activities</u> <u>Net (Expense) Revenue and</u> <u>Changes in Net Position</u> <u>2016</u>
<b>Governmental activities:</b>				
Library	\$ 734,426	\$ 16,380	\$ 11,568	\$ (706,478)
Depreciation	9,555	-	-	(9,555)
Total governmental activities	<u>743,981</u>	<u>16,380</u>	<u>11,568</u>	<u>(716,033)</u>
<b>General revenues:</b>				
Property taxes, levied for general purposes				919,234
Investment earnings				2,614
State sources-unrestricted				3,141
Fines				68,186
Other				4,620
Total general revenues				<u>997,795</u>
Change in net position				281,762
Net position, beginning of year				<u>152,204</u>
Net position, end of year				<u>\$ 433,966</u>

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

**ADRIAN DISTRICT LIBRARY  
BALANCE SHEET  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>General</b>	<b>Total Governmental Fund 2016</b>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 387,773	\$ 387,773
Accounts receivable	555	555
Due from other governments	592	592
Total assets	\$ 388,920	\$ 388,920
<b>LIABILITIES:</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 6,119	\$ 6,119
Accrued expenditures	18,330	18,330
Due to other governments	14,710	14,710
	39,159	39,159
<b>Long term liabilities:</b>		
Accrued sick and vacation	9,669	9,669
Total liabilities	48,828	48,828
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unearned revenue	41,948	41,948
<b>FUND BALANCE:</b>		
<b>Unassigned:</b>		
General fund	298,144	298,144
Total fund balance	298,144	298,144
Total liabilities, deferred inflows of resources and fund balance	\$ 388,920	\$ 388,920

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

**ADRIAN DISTRICT LIBRARY  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND TO THE  
STATEMENT OF NET POSITION  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>2016</b>
Total governmental fund balance	\$ 298,144
Amount reported for governmental activities in the statement of net position are different because:	
Capital assets used in the governmental activities are not financial resources and are not reported in the funds.	
The cost of the capital asset is	6,248,142
The accumulated depreciation is	<u>(6,112,320)</u>
	<u>135,822</u>
Net position of governmental activities	<u><u>\$ 433,966</u></u>

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

**ADRIAN DISTRICT LIBRARY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<b>General</b>	<b>Total Governmental Fund 2016</b>
<b>REVENUES:</b>		
<b>Local Sources:</b>		
Property Taxes	\$ 919,234	\$ 919,234
Fines and fees	84,566	84,566
Investment earnings	2,614	2,614
Donations	11,568	11,568
Other	4,620	4,620
	1,022,602	1,022,602
<b>Total local sources</b>		
<b>State sources:</b>		
State aid-indirect	3,141	3,141
	3,141	3,141
<b>Total state sources</b>		
	1,025,743	1,025,743
<b>Total revenues</b>		
<b>EXPENDITURES:</b>		
<b>Current:</b>		
Salaries and benefits	396,799	396,799
Purchased services	179,429	179,429
Supplies and materials	137,099	137,099
Capital outlay	5,265	5,265
Miscellaneous	15,834	15,834
	734,426	734,426
<b>Total expenditures</b>		
Excess (deficiency) of revenues over (under) expenditures	291,317	291,317
<b>Other financing sources (uses):</b>		
Transfers in	-	-
Transfers out	-	-
Other uses	-	-
	-	-
<b>Total other financing sources</b>		
Change in fund balance	291,317	291,317
<b>Fund balance:</b>		
Beginning of year	-	-
Transfers of assets from City	6,827	6,827
End of year	\$ 298,144	\$ 298,144

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

**ADRIAN DISTRICT LIBRARY  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>2016</b>
Change in fund balance total governmental fund	\$ 291,317
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p style="padding-left: 20px;">Governmental fund reports capital outlays as expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balance.</p> <p style="padding-left: 20px;">These costs are allocated over their estimated useful lives as depreciation on the statement of activities:</p>	
Depreciation expense	(9,555)
Change in net position of governmental activities	\$ 281,762

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

## ADRIAN DISTRICT LIBRARY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2016

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Adrian District Library (the "Library") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Library's accounting policies are described below.

##### A. Reporting Entity

The Adrian District Library is located in The City of Adrian, Michigan, County of Lenawee and governed by an appointed five member Board. The City of Adrian appoints the Library Board. However, the Library Board has authority over all other functions of the Library including levying property taxes and developing and approving the Library budget. As required by accounting principles generally accepted in the United States of America, these financial statements present the Adrian District Library as the primary government. There are no component units as of June 30, 2016. The City of Adrian acts as fiscal agent for the Library and also leases employees to the Library.

##### B. Government-Wide And Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Library. The government-wide financial statements categorize primary activities as either governmental or business-type. All of the Library's activities are classified as governmental activities. Amounts reported in the funds as interfund receivables and payables are eliminated in the governmental activities column of the statement of net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes, direct and indirect State sources, penal fines, and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net position, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net position are reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The Library first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the Library's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits, and changes, etc.).

**ADRIAN DISTRICT LIBRARY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-Wide And Fund Financial Statements (Continued)**

The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The nets costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate Library sources, interest income, and other revenues).

The Library does not allocate indirect costs to programs.

This government-wide focus is more on the sustainability of the Library as an entity and the change in the Library's net position resulting from the current year's activities.

**Governmental Funds** – Governmental funds are those funds through which most Library functions typically are financed. The acquisition, use, and balance of the Library's expendable financial resources and the related current liabilities are accounted for through governmental funds. The Library has implemented their Fund Balance Policy in Accordance with GASB Statement No. 54.

*Fund type definition.* The following definition will be used in reporting activity in governmental fund across the Library.

- The general fund is used to account for all financial resources.

*Fund balance reporting in governmental fund.* Fund balance will be reported in governmental funds under the following categories using the definitions provided by GASB Statement No. 54:

Nonspendable fund balance

*Definition* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in-fact.

*Classification* – Nonspendable amounts will be determined before all other classifications and consist of the following item (as applicable in any given fiscal year):

- The Library will maintain a fund balance equal to the value of inventory balances and prepaid items (to the extent that such balances are not offset with liabilities and actually result in fund balance).

Restricted fund balance

*Definition* – includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers; or through enabling legislation.

**ADRIAN DISTRICT LIBRARY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-Wide And Fund Financial Statements (Continued)**

Committed fund balance

*Definition* – includes amounts that can be used only for the specific purposes determined by a formal action of the Library's highest level of decision-making authority (i.e., Library Board).

*Authority to Commit* – Commitments will only be used for specific purposes pursuant to a formal action of the Library Board.

Assigned fund balance

*Definition* – includes amounts intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed.

*Authority to Assign* – The Library Board can delegate the Executive Director or his/her/their designee the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

Unassigned fund balance

*Definition* – includes the residual classification for the Library's general fund and includes all spendable amounts not contained in the other classifications.

*Operational guidelines.* The following guidelines address the classification and use of fund balance in governmental funds:

Classifying fund balance amounts – Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications. The general fund may also include an unassigned amount.

*Prioritization of fund balance use* – When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available, it shall be the policy of the Library to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the Library that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

## ADRIAN DISTRICT LIBRARY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2016

#### C. Measurement Focus, Basis Of Accounting And Basis Of Presentation

##### Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are 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 revenues 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.

##### Modified Accrual Method

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 and claims and judgments, are recorded only when payment is due.

Property taxes, state aid, 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.

#### D. Other Accounting Policies

##### 1. Cash and Investments

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes and the investment policy adopted by the governing board authorize the Library to invest in obligations of the U.S. Treasury, certificates of deposit, savings and deposit accounts, commercial paper, U.S. Repurchase Agreements, and the State Treasurer's Investment Pool.

Cash consists of savings, deposit, and money market accounts and are valued at cost.

**ADRIAN DISTRICT LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**2. Property Taxes**

The Adrian District Library levies property taxes for the Library's operations. The taxes are collected by The City of Adrian as fiscal agent for The Library. The taxes are levied and become a lien as of July 1 and are due upon receipt of the billing by the taxpayer. The actual due date is August 31, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2016, the Adrian District Library levied the following amounts per \$1,000 of assessed valuation on behalf of the Library.

<u>Fund</u>	<u>Mills</u>
General Fund-Homestead and Non-homestead	2.5000

**3. Capital Assets**

The Library has a capitalization policy of \$2,000. Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. The Library estimates the useful life of assets as follows:

Building	50	years
Equipment and furniture	5 – 25	years
Library books	10	years

**B. Other Accounting Policies**

**4. Estimates**

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**ADRIAN DISTRICT LIBRARY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**5. Deferred Inflows and Outflows of Resources**

The Library has implemented Government Accounting Standards Board Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Under this statement when an asset and liability is received, but the amounts are not measurable or available for expenditure, the government will report a deferred outflow or inflow of resources until such time as amounts become measurable or available for expenditure. This statement also identifies net position as the residual of all other elements presented in the statement of net position. As of June 30, 2016 the Library did not have deferred outflows.

**NOTE 2. BUDGETS AND BUDGETARY ACCOUNTING**

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit of government shall not incur expenditures in excess of the amount appropriated.

The Library's actual and budgeted expenditures for the General Fund have been shown by line-item. The approved budget of the Library for the General Fund was adopted by line-item basis consistent with accounting principles generally accepted in the United States of America (GAAP). All encumbrances and unexpended budget categories lapse at end of year.

The General Fund did incur expenditures in excess of budget. Total expenditures incurred were not in excess of the amount appropriated. There was one line-item expenditure in excess of amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Supplies and materials	131,300	137,099	(5,799)

**NOTE 3. CASH**

**Deposits**

Custodial Credit Risk 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. As of June 30, 2016, \$123,829 of the Library's bank balance of \$373,829 was exposed to custodial credit risk.

**ADRIAN DISTRICT LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 4. CAPITAL ASSETS**

A summary of changes in the Library's capital assets follows:

	<b>Primary Government</b>			<b>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	
<b>Governmental activities:</b>				
Assets not being depreciated-land	\$ 50,000	\$ -	\$ -	\$ 50,000
Total assets not being depreciated	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Asseets being depreciated:				
Land improvements	9,948			9,948
Building	326,267	-	-	326,267
Equipment and furniture	5,861,927	-	-	5,861,927
Depreciable capital assets	<u>6,198,142</u>	<u>-</u>	<u>-</u>	<u>6,198,142</u>
<b>Less accumulated depreciation for:</b>				
Building	(2,189)	(397)	-	(2,586)
Equipment and furniture	(277,327)	-	-	(277,327)
Library books	(5,823,249)	(9,158)	-	(5,832,407)
Total accumulated depreciation	<u>(6,102,765)</u>	<u>(9,555)</u>	<u>-</u>	<u>(6,112,320)</u>
Governmental activities capital assets, net	<u>\$ 145,377</u>	<u>\$ (9,555)</u>	<u>\$ -</u>	<u>\$ 135,822</u>

Capital assets are depreciated over their estimated useful lives using the straight line method of depreciation for all classes of depreciable assets. Depreciation for the fiscal year ended June 30, 2016 amounted to \$9,555.

**ADRIAN DISTRICT LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE 5. RETIREMENT PLAN**

**Pensions**

The Library leases all employees from the City of Adrian. Please refer to the City of Adrian, Michigan audited financial statements for all pension related information for the year ended June 30, 2016.

**NOTE 6. RISK MANAGEMENT**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Library is covered under an insurance policy maintained by the City of Adrian.

The policy consists of commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2016 or any of the prior three years.

**NOTE 7. SUBSEQUENT EVENTS**

The Library has reviewed subsequent events from June 30, 2016 to the date that the financial statements were available on September 27, 2016, and determined that no additional disclosures need be made.

REQUIRED SUPPLEMENTARY  
INFORMATION

DRAFT

**ADRIAN DISTRICT LIBRARY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES:</b>				
Local sources	\$ 990,064	\$ 1,021,580	\$ 1,022,602	\$ 1,022
State sources	6,213	6,213	3,141	(3,072)
Total revenues	<u>996,277</u>	<u>1,027,793</u>	<u>1,025,743</u>	<u>(2,050)</u>
<b>EXPENDITURES:</b>				
Salaries and wages	385,183	402,088	396,799	5,289
Purchased services	94,501	181,696	179,429	2,267
Supplies and materials	133,150	131,300	137,099	(5,799)
Miscellaneous	185,503	306,909	15,834	291,075
Capital outlay	197,940	5,800	5,265	535
Total expenditures	<u>996,277</u>	<u>1,027,793</u>	<u>734,426</u>	<u>293,367</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	291,317	291,317
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
Other uses	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	-	-	291,317	291,317
<b>Fund balance:</b>				
Beginning of year			-	
Transfer of assets from the City of Adrian			<u>6,827</u>	
End of year			<u>\$ 298,144</u>	

See notes to the financial statements.