

BOYNE DISTRICT LIBRARY
BOYNE CITY, MICHIGAN

FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

for the year ended April 30, 2017

MASON, KAMMERMANN & ROHRBACK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHARLEVOIX, MICHIGAN 49720

Boyer District Library

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MASON, KAMMERMANN & ROHRBACK, P.C.

Certified Public Accountants

Velda K. Kammermann
Todd P. Rohrback

Corey R. Bascom

Established 1988
www.northmicpa.com

INDEPENDENT AUDITOR'S REPORT

October 9, 2017

Board of Trustees
Boyne District Library
Boyne City, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Boyne District Library, as of and for the year ended April 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.

~ Boyne City ~

115A S. Lake Street
Boyne City, MI 49712
p: 231-582-7211

~ Charlevoix ~

110 Park Avenue
Charlevoix, MI 49720
p: 231-547-4911

~ Petoskey ~

2780 Charlevoix Avenue – Unit 16
Petoskey, MI 49770
p: 231-348-6930

Auditor's Responsibility (Continued)

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 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 Boyne District Library, as of April 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.

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 3 through 8 and page 23 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.

Mason, Kammermann & Rohrback, P.C.

Boyne District Library

Management's Discussion and Analysis October 9, 2017

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Boyne District Library's basic financial statements. The Library's basic financial statements comprise three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Library's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the Library's financial position 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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation time).

Both government-wide financial statements distinguish functions of the entity that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Library include a single program function, culture and recreation.

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. Boyne District Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Library are classified as governmental funds.

Boyne District Library

Management's Discussion and Analysis October 9, 2017

Governmental funds are used to account for essentially the same functions reported 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. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Summary of Net Position

The following schedule summarizes the net position at April 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Current Assets	\$ 1,016,816	\$ 981,978
Noncurrent Assets		
Capital assets, net of accumulated depreciation	<u>1,898,127</u>	<u>1,927,077</u>
Total assets	2,914,943	2,909,055
<u>Liabilities and Net Position</u>		
Current Liabilities	24,570	8,054
Noncurrent Liabilities		
Compensated absences	<u>3,936</u>	<u>3,936</u>
Total liabilities	28,506	11,990
Net Position		
Invested in capital assets	1,898,127	1,927,077
Restricted for collections and future projects	240,891	241,491
Unrestricted	<u>747,419</u>	<u>728,497</u>
Total net position	<u>\$ 2,886,437</u>	<u>\$ 2,897,065</u>

Boyne District Library

Management's Discussion and Analysis October 9, 2017

Analysis of Financial Position

During the fiscal year ended April 30, 2017, the Library's net position decreased by \$10,628. A few of the more significant factors affecting net position during the year are discussed below:

Depreciation Expense

GASB 34 requires Libraries to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with generally accepted accounting principles, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended April 30, 2017, \$100,656 was recorded for depreciation expense.

Capital Assets

For the fiscal year ended April 30, 2017, \$71,706 of expenditures were capitalized and recorded as assets of the Library. These additions to the Library's capital assets will be depreciated over time as described above.

The net effect of the new capital assets and the current year's depreciation is a decrease to capital assets in the amount of \$28,950, for the fiscal year ended April 30, 2017.

At April 30, 2017, the Library had \$3,557,864 in capital assets, including land, buildings and improvements, equipment, furniture and fixtures, and the book collection. The accumulated depreciation totaled \$1,659,737, as of year end.

Boyne District Library

Management's Discussion and Analysis October 9, 2017

Results of Operations

For the fiscal years ended April 30, 2017 and 2016, the results of operations reflected in the Statements of Activities were as follows:

	<u>2017</u>	<u>% of Total</u>	<u>2016</u>	<u>% of Total</u>
General Revenues				
Property taxes	\$ 459,239	85.38%	\$ 457,907	89.12%
Investment earnings	1,160	0.22%	1,549	0.30%
Penal fines	30,573	5.68%	20,441	3.98%
State aid and tax reimbursements	21,100	3.92%	2,148	0.42%
Other	3,160	0.59%	3,004	0.58%
Total general revenues	515,232	95.79%	485,049	94.40%
Program Revenues				
Charges for services	10,468	1.95%	11,569	2.25%
Grants & contributions	12,186	2.26%	17,167	3.35%
Total revenues	537,886	100.00%	513,785	100.00%
Expenses				
Culture and recreation	548,514	100.00%	542,654	100.00%
Changes in net position	<u>\$ (10,628)</u>		<u>\$ (28,869)</u>	

Significant revenues and expenses are discussed in the segments following.

1. Property Taxes

The voters of Bay, Evangeline, Eveline and Wilson Townships and the City of Boyne City have approved the levy of .9647 mills for property taxes to fund the Library's operations. The following table summarizes the revenues from property tax levies for the last three years:

<u>Fiscal Year</u>	<u>Operating Tax Levy</u>
2017	459,239
2016	457,907
2015	447,416

Boyne District Library

Management's Discussion and Analysis October 9, 2017

2. Intermediate Sources

The intermediate source income is comprised of penal fines received from Charlevoix County and totaled \$30,573 for the year.

3. Grants and Contributions

For the fiscal year ended April 30, 2017, grants and contributions received from private and public donors totaled \$12,186.

Expenditures

A comparison of expenditures reported on the Statements of Activities is shown below for April 30, 2017 and 2016:

	<u>2017</u>	<u>% of Total</u>	<u>2016</u>	<u>% of Total</u>
Expenditures:				
Salaries and wages	\$ 251,588	45.87%	\$ 222,474	41.00%
Employee fringe benefits	45,261	8.25%	37,713	6.95%
Professional services	6,733	1.23%	6,383	1.18%
Advertising	6,396	1.17%	7,687	1.41%
Contracted services	-	0.00%	20,425	3.76%
Utilities	40,863	7.45%	42,187	7.77%
Electronic access	8,173	1.49%	10,475	1.93%
Insurance	6,196	1.13%	5,894	1.09%
Repairs and maintenance	29,687	5.41%	40,806	7.52%
Periodicals	5,528	1.01%	4,370	0.81%
Office supplies	8,272	1.51%	8,416	1.55%
Special programs	13,562	2.47%	14,518	2.68%
Operating supplies	13,066	2.38%	12,377	2.28%
Tuition reimbursement	-	0.00%	2,000	0.37%
Travel and training	8,491	1.55%	3,833	0.71%
Dues and fees	3,806	0.69%	2,272	0.42%
Miscellaneous	236	0.04%	339	0.06%
Depreciation	100,656	18.35%	100,485	18.51%
Total expenditures	<u>\$ 548,514</u>	<u>100.00%</u>	<u>\$ 542,654</u>	<u>100.00%</u>

Boyne District Library

Management's Discussion and Analysis October 9, 2017

Financial Analysis of the Library's Funds

At April 30, 2017, the Library's governmental funds reported combined cash and investments of \$1,016,516, an increase of \$40,106 from the previous year.

The Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund reports an increase of \$18,322 in its fund balance. This statement's expenditures include capital outlay for capital assets and Library books of \$71,706; however, depreciation expense of \$100,656 is excluded from this statement and is a reconciling item to the Statement of Activities.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the Board approve the original budget for the upcoming fiscal year prior to May 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the year on April 30.

The following schedule shows a comparison of the original fund budget, the final fund budget and actual totals from operations for the year:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Total revenues	\$ 516,350	\$ 521,350	\$ 537,886	\$ 16,536
Total expenditures	<u>516,350</u>	<u>519,891</u>	<u>519,564</u>	<u>(327)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 1,459</u>	<u>\$ 18,322</u>	<u>\$ 16,863</u>

Requests for Information

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in the Library's finances. If you have questions about this report, please contact Boyne District Library, 201 East Main St., Boyne City, MI 49712.

Boyne District Library

Statement of Net Position April 30, 2017

<u>Assets</u>	<u>Governmental Activities</u>
Current Assets	
Cash and cash equivalents	\$ 431,793
Investments	584,723
Accounts receivable	300
Total current assets	1,016,816
Noncurrent Assets	
Capital assets	3,557,864
Accumulated depreciation	(1,659,737)
Total noncurrent assets	1,898,127
Total assets	2,914,943
 <u>Liabilities and Net Position</u>	
Current Liabilities	
Accounts payable	19,205
Accrued payroll taxes and other withholdings	5,365
Total current liabilities	24,570
Noncurrent Liabilities	
Compensated absences	3,936
Total liabilities	28,506
Net Position	
Invested in capital assets	1,898,127
Restricted for collections and future projects	240,891
Unrestricted	747,419
Total net position	\$ 2,886,437

The accompanying notes are a part of the financial statements.

Boyne District Library

Statement of Activities For The Year Ended April 30, 2017

Recreation and Culture	
Salaries and wages	\$ 251,588
Fringe benefits	45,261
Professional services	6,733
Advertising	6,396
Utilities	40,863
Electronic access	8,173
Insurance	6,196
Repairs and maintenance	29,687
Periodicals	5,528
Office supplies	8,272
Special programs	13,562
Operating supplies	13,066
Traveling and training	8,491
Dues and fees	3,806
Miscellaneous	236
Depreciation	100,656
Total program expenses	548,514
Program Revenues	
Charges for services	10,468
Operating grants and contributions	12,186
Net program expenses	(525,860)
General Revenues	
Property taxes	459,239
Investment earnings	1,160
Penal fines	30,573
State aid and tax reimbursements	21,100
Other	3,160
Total general revenues	515,232
Change in Net Position	(10,628)
Net Position - May 1, 2016	2,897,065
Net Position - April 30, 2017	\$ 2,886,437

The accompanying notes are a part of the financial statements.

Boyne District Library

Governmental Funds Balance Sheet April 30, 2017

<u>Assets</u>	<u>General Fund</u>
Cash and cash equivalents	\$ 431,793
Investments	584,723
Accounts receivable	<u>300</u>
Total assets	<u>\$ 1,016,816</u>
<u>Liabilities and Fund Equity</u>	
Liabilities	
Accounts payable	\$ 19,205
Accrued payroll taxes and other withholdings	<u>5,365</u>
Total liabilities	24,570
Fund Balances	
Restricted for collections and future projects	240,891
Unassigned	<u>751,355</u>
Total fund balance	<u>992,246</u>
Total liabilities & fund equity	<u>\$ 1,016,816</u>

The accompanying notes are a part of the financial statements.

Boyne District Library

Governmental Funds Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position April 30, 2017

Total Governmental Fund Balances	\$ 992,246
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets and unamortized expenses used in governmental activities are not financial resources and are not reported in the governmental funds balance sheet.	
Cost of capital assets	\$ 3,557,864
Accumulated depreciation	<u>(1,659,737)</u>
	1,898,127
Compensated absences are included as a liability on the statement of net position.	
Compensated absences	<u>(3,936)</u>
Net Position of Governmental Activities	<u><u>\$ 2,886,437</u></u>

The accompanying notes are a part of the financial statements.

Boyne District Library

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances For The Year Ended April 30, 2017

	General Fund
Revenues	
Local Sources:	
Property tax levy	\$ 459,239
Earnings on investments and deposits	1,160
Donations	5,686
Copy machine receipts	6,104
Book fines	4,364
Grants	6,500
Miscellaneous	3,160
Intermediate Sources,	
Penal fines	30,573
State Sources,	
State of Michigan	21,100
Total revenues	537,886
Expenditures	
Salaries and wages	251,588
Fringe benefits	45,261
Professional services	6,733
Advertising	6,396
Utilities	40,863
Electronic access	8,173
Insurance	6,196
Repairs and maintenance	29,687
Periodicals	5,528
Office supplies	8,272
Special programs	13,562
Operating supplies	13,066
Travel and training	8,491
Dues and fees	3,806
Miscellaneous	236
Capital outlay:	
Books	39,579
Building improvements and equipment	32,127
Total expenditures	519,564
Net change in fund balance	18,322
Fund Balances - May 1, 2016	973,924
Fund Balances - April 30, 2017	\$ 992,246

The accompanying notes are a part of the financial statements.

Boyne District Library

Governmental Funds Reconciliation of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For The Year Ended April 30, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 18,322

Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays and intangible assets as expenditures in the Statement of Activities. These costs are allocated over their estimated useful lives as depreciation or amortization.

Depreciation expense	\$ (100,656)	
Capital outlay	<u>71,706</u>	
		(28,950)

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds.

Net change in compensated absences	<u>-</u>
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Change in net position	<u><u>\$ (10,628)</u></u>
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The accompanying notes are a part of the financial statements.

Boyne District Library

Notes To Financial Statements For Year Ended April 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Boyne District Library was established in 1996 under Michigan Act 164 of 1955, to provide library services to residents of Bay, Evangeline, Eveline, and Wilson Townships and the City of Boyne City. The Library is primarily funded by tax revenues from these governmental units. The Library's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No.14.

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 primary government. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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 to customers or applicants 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 meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported as general revenues.

The government-wide statements focus more on the sustainability of the Library as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to financial statements presented in the previous financial reporting model.

The Library has one governmental fund called the General Fund.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Library are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Boyne District Library

Notes To Financial Statements For Year Ended April 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 in 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 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. 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 and federal aid and interest associated with 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 fund:

The General Fund is the primary operating fund of the Library. It is used to account for all financial resources of the Library.

Boyne District Library

Notes To Financial Statements For Year Ended April 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Equity

1. Cash and Investments

Cash and cash equivalents are comprised of funds held in bank checking, savings and money market accounts and time certificates with original maturities of ninety days or less.

Investments consist of certificates of deposit with maturities greater than ninety days and are stated at cost or amortized cost, which approximates market.

2. Capital Assets

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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

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

Books	12 years
Furniture and Fixtures	10 years
Equipment	5 years
Building Improvements	20 years
Buildings	50 years

The Library's capitalization policy is to record purchases of assets with costs exceeding \$500 and all books.

3. Compensated Absences

It is the Library's policy to permit employees to accumulate earned but unused vacation benefits. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Boyne District Library

Notes To Financial Statements For Year Ended April 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Fund Equity

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

- Nonspendable fund balance – amounts that are not in a spendable form (such as prepaid expenses) or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resources as needed. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classification can be used.

5. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles 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 revenues and expense during the reporting period. Actual results could differ from those estimates.

Boyne District Library

Notes To Financial Statements For Year Ended April 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. As of April 30, 2017, the Library has no long-term debt outstanding.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

An operating budget is prepared annually. The operating budget includes proposed expenditures and the means of financing them.

The budget is approved by the Library Board prior to the start of the applicable fiscal year.

All transfers of budgeted amounts between accounts within the General Fund must be approved by the Library Board.

The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Library board.

Budget appropriations lapse at the end of the fiscal year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) lapse at year-end and do not constitute expenditures or liabilities because the commitments will generally be re-appropriated and honored during the subsequent year.

B. Excess of Expenditures over Appropriations in Budgeted Funds

The Michigan Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.) provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year, the Library's total expenditures were \$327 less than the amount appropriated.

Boyne District Library

Notes To Financial Statements For Year Ended April 30, 2017

NOTE 3 - DETAILED NOTES ON GENERAL FUND AND ACCOUNT GROUP

A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982 and Act 196, Public Acts of 1997, states that the Library, by resolution, may authorize the Treasurer to invest surplus funds as follows:

1. In bonds and other direct obligations of the United States of America or an agency or instrumentality of the United States of America.
2. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
3. In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
4. Repurchase agreements consisting of instruments defined in (1) above.
5. In bankers' acceptances of United States of America banks.
6. Obligations of the State of Michigan or any of its political subdivisions that, at the time of purchase, are rated as investment grade by not less than one standard rating service.
7. In mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

B. Deposits and Investments

Deposits – At year-end, the Library's cash and cash equivalents totaled \$431,793.

Investments – Certificates of deposits with initial maturities greater than ninety days totaled \$351,075. In addition, the Library established a special project fund with the Charlevoix County Community Foundation. At April 30, 2017, the market value of the fund totaled \$233,648.

Boyne District Library

Notes To Financial Statements For Year Ended April 30, 2017

NOTE 3 - DETAILED NOTES ON GENERAL FUND AND ACCOUNT GROUP (CONTINUED)

Amounts on deposit in bank accounts and invested in certificates of deposit totaled \$782,868, of which \$404,321 was insured by the Federal Depository Insurance Corporation and the Securities Investor Protection Corporation. The remaining \$378,547 was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form to be taken for the deposit of public funds. The Library may experience significant fluctuations in deposit balances during the year.

C. Capital Assets

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

	Balance at May 1, 2016	Additions	Retirements	Balance at April 30, 2017
Capital assets not being depreciated				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Construction in progress	-	22,500	-	22,500
Total capital assets not being depreciated	25,000	22,500	-	47,500
Capital assets being depreciated				
Buildings	2,456,152	6,685	-	2,462,837
Equipment	154,699	2,942	(3,771)	153,870
Furniture and fixtures	206,785	-	-	206,785
Book collection	672,293	39,579	(25,000)	686,872
Total capital assets, being depreciated	3,489,929	49,206	(28,771)	3,510,364
Less accumulated depreciation	(1,587,852)	(100,656)	28,771	(1,659,737)
Total net capital assets	\$ 1,927,077	\$ (28,950)	\$ -	\$ 1,898,127

For the fiscal year ended April 30, 2017, depreciation totaled \$100,656.

D. Property Taxes

Property taxes are levied on July first and December first and are payable by September fourteenth and February fourteenth. Property tax revenues are recognized when levied.

For the year ended April 30, 2017, taxes levied for Library operations are as follows:

PURPOSE	MILLS
General Operating	.9647

Boyne District Library

Notes To Financial Statements For Year Ended April 30, 2017

NOTE 3 - DETAILED NOTES ON GENERAL FUND AND ACCOUNT GROUP (CONTINUED)

E. Pension Plan

The Library has approved a tax-deferred annuity plan for employee pensions. Pension costs are funded as they accrue and totaled \$4,132 for the year.

F. Compensated Absences Liability

Employees of the Library are entitled to paid vacation days depending on job classification, length of service and other factors. At April 30, 2017, the accrued expense for compensated absences was \$3,936. This liability is recorded only in the government-wide financial statements as a noncurrent liability.

G. Fund Equity Reservations

The General Fund has restricted \$234,232 for future capital and organizational needs and \$6,659 for book collection purchases.

NOTE 4 - OTHER INFORMATION

A. Risk Management

The Library participates in the Michigan Municipal League Insurance Pool to provide workers' compensation coverage as well as general liability and property insurance. The Library contributed \$6,196 for the year to fund this insurance coverage.

B. Endowment

The Library has established an endowment fund with the Charlevoix County Community Foundation to provide funds for maintaining the building. The market value of the fund is approximately \$244,500 at April 30, 2017.

C. Date of Management's Review

In preparing the financial statements, the Library has evaluated events and transactions for potential recognition or disclosure through October 9, 2017, the date that the financial statements were available to be issued.

Boyne District Library

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended April 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues				
Local Sources:				
Property tax levy	\$ 445,000	\$ 450,000	\$ 459,239	\$ 9,239
Earnings on investments and deposits	400	400	1,160	760
Donations	20,400	20,400	5,686	(14,714)
Copy machine receipts	6,200	6,200	6,104	(96)
Book fines	5,000	5,000	4,364	(636)
Grants	5,000	5,000	6,500	1,500
Miscellaneous	4,000	4,000	3,160	(840)
Intermediate Sources,				
Penal fines	24,000	24,000	30,573	6,573
State Sources,				
State of Michigan	6,350	6,350	21,100	14,750
Total revenues	516,350	521,350	537,886	16,536
Expenditures				
Salaries and wages	239,600	240,600	251,588	10,988
Fringe benefits	42,330	42,330	45,261	2,931
Professional services	6,500	6,500	6,733	233
Advertising	7,500	7,500	6,396	(1,104)
Contracted services	1,000	1,000	-	(1,000)
Tuition reimbursement	2,000	3,000	-	(3,000)
Utilities and telephone	44,519	44,519	40,863	(3,656)
Electronic access	11,000	11,000	8,173	(2,827)
Insurance	5,900	5,900	6,196	296
Repairs and maintenance	41,000	41,000	29,687	(11,313)
Periodicals	4,500	4,500	5,528	1,028
Office supplies	9,541	9,541	8,272	(1,269)
Special programs	13,000	13,000	13,562	562
Operating supplies	10,801	10,801	13,066	2,265
Travel and training	4,000	4,000	8,491	4,491
Dues and fees	3,700	3,700	3,806	106
Miscellaneous	1,000	1,000	236	(764)
Capital outlay:				
Books	40,000	40,000	39,579	(421)
Building improvements and equipment	28,459	30,000	32,127	2,127
Total expenditures	516,350	519,891	519,564	(327)
Excess of revenues under expenses	-	1,459	18,322	16,863
Fund Balance - May 1, 2016	973,924	973,924	973,924	-
Fund Balance - April 30, 2017	\$ 973,924	\$ 975,383	\$ 992,246	\$ 16,863

MASON, KAMMERMANN & ROHRBACK, P.C.

Certified Public Accountants

Velda K. Kammermann
Todd P. Rohrback

Established 1988

Corey R. Bascom

October 9, 2017

To the Board of Trustees of
Boyne District Library:

We have audited the financial statements of the governmental activities and the major fund of Boyne District Library for the year ended April 30, 2017. 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 to you in our letter to you dated September 1, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Boyne District Library are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended April 30, 2017. 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.

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 clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Material misstatements detected as a result of audit procedures were recorded for accounts payable.

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Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 9, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Boyne District Library'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 Boyne District 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 supplementary information, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing 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 of Use

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

Mason, Kammermann & Rohrback, P.C.

MASON, KAMMERMANN & ROHRBACK, P.C.

Certified Public Accountants

Velda K. Kammermann
Todd P. Rohrback

Established 1988

Corey R. Bascom

October 9, 2017

To the Board of Trustees of
Boyne District Library
Boyne City, Michigan

In planning and performing our audit of the financial statements of the governmental activities and the major fund of Boyne District Library as of and for the year ended April 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered Boyne District Library's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Boyne District Library's internal control. Accordingly, we do not express an opinion on the effectiveness of Boyne District Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

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

Preparation of Financial Statements

During the course of our audit, it was noted employees and/or management have limited technical expertise to prepare the Library's financial statements and notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of the Library's financial statements and notes in accordance with accounting principles generally accepted in the United States of America is the responsibility of management. Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to the financial statements, in conforming with accounting principles generally accepted in the United States of America.

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Preparation of Financial Statements (Continued)

The Library, as is common with smaller entities, has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Library's ability to prepare financial statements in accordance with accounting principles generally accepted in the United States of America is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal controls.

The result of this condition is that the Library lacks internal controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and instead relies, in part, on its external auditors for assistance with this task.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Mason, Kammermann & Rohrback, P.C.