



VAN BUREN DISTRICT LIBRARY

FINANCIAL STATEMENTS
December 31, 2015



St. Joseph, MI

**Van Buren District Library
Decatur, Michigan
Financial Statements
December 31, 2015**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Van Buren District Library
Decatur, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Van Buren District Library (the "Library") as of and for the year ended December 31, 2015, 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 each major fund of the Van Buren District Library, as of December 31, 2015, 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

Change in Accounting Principle

As described in Note 16 to the financial statements, in 2015, the Library changed its method for accounting and financial reporting of pensions as a result of the adoption of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in employer's net pension liability and related ratios and schedule of employer's contributions on pages 3 through 6 and 24 through 26 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,



Certified Public Accountants

St. Joseph, Michigan
February 23, 2016

As management of the Van Buren District Library (the "Library"), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the year ended December 31, 2015.

FINANCIAL HIGHLIGHTS

- ✓ The assets and deferred outflows of resources of the library exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$2,128,422, and of this amount, \$1,089,332 is unrestricted and may be used to meet the Library's ongoing obligations to citizens and creditors.
- ✓ The Library's total net position decreased by \$4,473 for 2015.
- ✓ As of the close of the current year, the Library's governmental funds reported an ending fund balance of \$1,574,902. For this year, expenditures exceeded revenues by \$26,658.
- ✓ Unassigned fund balance for the General Fund was \$883,627 or 63% of the total General Fund expenditures for 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis (this section)*, *the basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the library:

- The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Library's operations in more detail than the government-wide financial statements by providing information about the Library's most significant funds.
- The adjustment 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 *library as a whole financial statement* column provides both *long-term* and *short-term* information about the Library's overall financial status. The Statement of Net Position and the Statement of Activities provide information about the activities of the 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 financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Fund Financial Statements

The fund level financial statements are reported on a modified accrual basis. Only those assets and deferred outflows of resources that are “measurable” and “currently available” are reported. Liabilities and deferred inflows of resources are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Treasury’s “Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan”. In the State of Michigan, the Library’s major activities are reported in the General Fund. Additional activities are reported in the Endowment Fund.

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year’s payments of principal and interest on long-term obligations are recorded as expenditures. Future year’s debt obligations are not recorded.

Government-wide Financial Statements

The government-wide financial statements are full accrual basis statements. They report all of the Library’s assets, deferred outflows of resources, deferred inflows of resources and liabilities, both short and long-term, regardless if they are “currently available” or not. Capital assets and long-term obligations of the Library are reported in the Statement of Net Position of the government-wide financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the Library, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,128,422 at the close of the most recent year. A portion of the Library's net position, \$877,493, is reflected in its net investment in capital assets and \$161,597 in restricted for endowment. These are *not* available for future spending. The following table compares key financial information in a condensed format:

	2015	2014*
Current assets	\$ 2,273,672	\$ 1,866,381
Noncurrent assets	2,180,493	1,889,625
Total Assets	\$ 4,454,165	\$ 3,756,006
Deferred Outflows of Resources	\$ 63,779	\$ 44,134
Current liabilities	\$ 3,770	\$ 12,020
Noncurrent liabilities	387,752	354,424
Total Liabilities	\$ 391,522	\$ 366,444
Deferred Inflows of Resources	\$ 1,998,000	\$ 1,300,801
Net Position		
Net investment in capital assets	\$ 877,493	\$ 841,625
Restricted for endowment	161,597	156,069
Unrestricted	1,089,332	1,135,201
Total Net Position	\$ 2,128,422	\$ 2,132,895
Revenues		
Taxes	\$ 1,327,969	\$ 1,332,710
Other	431,010	439,466
Total Revenues	\$ 1,758,979	\$ 1,772,176
Expenses-Library Services	1,763,452	1,670,705
Change in Net Position	\$ (4,473)	\$ 101,471

*December 31, 2014 has been restated to reflect the adoption of GASB No. 68 and 71

The unrestricted net position of \$1,089,332 may be used to meet the Library's ongoing obligations to citizens and creditors. The Library's net position shows a decrease of \$4,473 from the prior year.

The Library's governmental activities revenues decreased by \$13,197 and expenses increased by \$92,747. Revenues decreased due to a decrease in property taxes and penal fines received offset by an increase in local contributions and other. Expenses increased due to the increase in professional fees and grant expenses.

GOVERNMENTAL FUND ANALYSIS

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with finance - related legal requirements.

Governmental Funds. The focus of the Library's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Library's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, the Library's governmental funds reported ending fund balance of \$1,574,902 an decrease of \$26,658. Of the fund balance, \$883,627 constitutes *unassigned fund balance*, which is available for spending at the government's discretion.

LIBRARY BUDGETARY HIGHLIGHTS

The following significant differences between the original budget and the final amended budget in the general fund are as follows:

Final budgeted revenues and expenditures were slightly higher than what was originally budgeted. The property taxes and Webster trust contributions were budgeted higher in the amended final budget to be comparable to what was actually collected. The amended final budget had more professional fees due to the legal fees that were required to manage the Library's millage proposal. Final amended salaries were lower than originally budgeted due to the changes in staff during the year.

Actual revenues came in higher than expected by approximately \$26,000 than the final amended budget. This can be explained by actual penal fines, state sources and local contributions and other were higher than what was budgeted. Final expenditures were approximately \$27,000 lower than expected. This can be explained by actual expenditures incurred was lower in the insurance, maintenance, audiovisual, books, and periodicals categories.

CAPITAL ASSETS AND DEBT ADMINISTRATION

During the current year, the Library acquired capital assets for its governmental activities totaling \$195,711. This investment includes capital assets, including library books, eight copiers, and a new Dodge van. The Library expects that additions for 2016 will be less than 2015.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Library's goal is to maintain and enhance the services that are provided to the public utilizing the most efficient and effective methods. The Library has a conservative and financially prudent budget for the 2016 fiscal year that will promote several of the Library's activities and programs.

CONTACTING THE LIBRARY'S MANAGEMENT

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Van Buren District Library, 200 N. Phelps Street; Decatur, MI 49045.

GOVERNMENTAL FUNDS BALANCE SHEETS/STATEMENT OF NET POSITION
December 31, 2015

	<u>Individual Library Major Funds</u>				Library as a Whole Statement of Net Position - Full Accrual Basis
	General Fund	Endowment Fund	Total- Modified Accrual Basis	GASB No. 34 Adjustments	
Assets and Deferred Outflows of Resources					
Assets					
Current Assets					
Cash	\$ 283,705	\$ 8,597	\$ 292,302	\$ -	\$ 292,302
Taxes receivable	1,981,370	-	1,981,370	-	1,981,370
Total Current Assets	<u>\$ 2,265,075</u>	<u>\$ 8,597</u>	<u>\$ 2,273,672</u>	<u>\$ -</u>	<u>\$ 2,273,672</u>
Noncurrent Assets					
Investments	\$ 1,150,000	\$ 153,000	\$ 1,303,000	\$ -	\$ 1,303,000
Capital assets, net	-	-	-	877,493	877,493
Total Noncurrent Assets	<u>\$ 1,150,000</u>	<u>\$ 153,000</u>	<u>\$ 1,303,000</u>	<u>\$ 877,493</u>	<u>\$ 2,180,493</u>
Total Assets	<u>\$ 3,415,075</u>	<u>\$ 161,597</u>	<u>\$ 3,576,672</u>	<u>\$ 877,493</u>	<u>\$ 4,454,165</u>
Deferred Outflows of Resources					
Deferred pension amounts	\$ -	\$ -	\$ -	\$ 63,779	\$ 63,779
Total Assets and Deferred Outflows of Resources	<u>\$ 3,415,075</u>	<u>\$ 161,597</u>	<u>\$ 3,576,672</u>	<u>\$ 941,272</u>	<u>\$ 4,517,944</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Current Liabilities					
Accounts payable	\$ 3,770	\$ -	\$ 3,770	\$ -	\$ 3,770
Noncurrent Liabilities					
Net pension liability	\$ -	\$ -	\$ -	\$ 221,000	\$ 221,000
Compensated absences	-	-	-	166,752	166,752
Total Noncurrent Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 387,752</u>	<u>\$ 387,752</u>
Total Liabilities	<u>\$ 3,770</u>	<u>\$ -</u>	<u>\$ 3,770</u>	<u>\$ 387,752</u>	<u>\$ 391,522</u>
Deferred Inflows of Resources					
Taxes levied but intended for subsequent period	\$ 1,998,000	\$ -	\$ 1,998,000	\$ -	\$ 1,998,000
Fund Balances					
Non-spendable	\$ -	\$ 161,597	\$ 161,597	\$ (161,597)	\$ -
Assigned:					
Capital improvements	529,678	-	529,678	(529,678)	-
Unassigned	883,627	-	883,627	(883,627)	-
Total Fund Balances	<u>\$ 1,413,305</u>	<u>\$ 161,597</u>	<u>\$ 1,574,902</u>	<u>\$ (1,574,902)</u>	<u>\$ -</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,415,075</u>	<u>\$ 161,597</u>	<u>\$ 3,576,672</u>		
Contingency - See Note 15					
Net Position					
Net investment in capital assets			\$ 877,493	\$	877,493
Restricted for endowment			161,597		161,597
Unrestricted			1,089,332		1,089,332
Total Net Position			<u>\$ 2,128,422</u>	<u>\$</u>	<u>2,128,422</u>

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

VAN BUREN DISTRICT LIBRARY

GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE/STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

	<u>Individual Library Major Funds</u>				Library as a Whole Statement of Activities-Full Accrual Basis
	General Fund	Endowment Fund	Total- Modified Accrual Basis	GASB No. 34 Adjustments	
Revenues:					
Taxes	\$ 1,327,969	\$ -	\$ 1,327,969	\$ -	\$ 1,327,969
State sources	27,487	-	27,487	-	27,487
Penal fines	200,383	-	200,383	-	200,383
Fees and book fines	37,502	-	37,502	-	37,502
Investment income	4,226	790	5,016	-	5,016
Local contributions and other	155,547	5,075	160,622	-	160,622
Total revenues	<u>\$ 1,753,114</u>	<u>\$ 5,865</u>	<u>\$ 1,758,979</u>	<u>\$ -</u>	<u>\$ 1,758,979</u>
Expenditures/Expenses:					
Salaries	\$ 929,093	\$ -	\$ 929,093	\$ 626	\$ 929,719
Payroll taxes	69,602	-	69,602	-	69,602
Insurance (health, life, disability, w/c)	84,235	-	84,235	-	84,235
Pension	42,490	-	42,490	13,057	55,547
Office and library supplies	7,724	-	7,724	-	7,724
Postage, printing, copying	18,721	-	18,721	-	18,721
Gas and oil	3,092	-	3,092	-	3,092
Janitor supplies	3,278	-	3,278	-	3,278
Professional fees	68,427	-	68,427	-	68,427
Dues and subscriptions	3,565	-	3,565	-	3,565
Contractual services	47,083	-	47,083	-	47,083
Utilities	53,198	-	53,198	-	53,198
Telephone	12,434	-	12,434	-	12,434
Travel	9,119	-	9,119	-	9,119
Promotional and reading programs	19,073	-	19,073	-	19,073
General and vehicle insurance	8,045	-	8,045	-	8,045
Maintenance	70,976	-	70,976	-	70,976
Continuing education	1,759	-	1,759	-	1,759
Capital outlay	86,686	-	86,686	(48,867)	37,819
Audiovisual , books, and periodicals	175,244	-	175,244	(146,844)	28,400
Internet fees	19,694	-	19,694	-	19,694
Miscellaneous	2,099	-	2,099	-	2,099
Grant	50,000	-	50,000	-	50,000
Depreciation	-	-	-	159,843	159,843
Total expenditures/expenses	<u>\$ 1,785,637</u>	<u>\$ -</u>	<u>\$ 1,785,637</u>	<u>\$ (22,185)</u>	<u>\$ 1,763,452</u>
Excess (Deficiency) of revenues over (under) expenditures/expenses	\$ (32,523)	\$ 5,865	\$ (26,658)	\$ 22,185	\$ (4,473)
Other Financing Sources(Uses)					
Operating transfers in (out)	337	(337)	-	-	-
Net Change In Fund Balances/Net Position Fund Balance/Net Position-Beginning of Year, as restated (Note 16)	\$ (32,186)	\$ 5,528	\$ (26,658)	\$ 22,185	\$ (4,473)
Fund Balance/Net Position-End of Year	<u>1,445,491</u>	<u>156,069</u>	<u>1,601,560</u>	<u>531,335</u>	<u>2,132,895</u>
	<u>\$ 1,413,305</u>	<u>\$ 161,597</u>	<u>\$ 1,574,902</u>	<u>\$ 553,520</u>	<u>\$ 2,128,422</u>

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

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

The accounting policies of the Van Buren District Library (the “Library”) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Library is located in the Village of Decatur, Michigan and is governed by an eight (8) member board. 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 (“GASB”) for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service and special financing relationships. The Library is a District Library formed pursuant to the District Library Establishment Act (1989 Public Act 24) by an agreement between the Townships of Decatur, Antwerp, Covert, Lawrence, the Cities of Gobles and Bangor, the Village of Bloomingdale and the County of Van Buren. Based on the significance of any operational or financial relations with the Library, there are no component units to be included in these financial statements.

Measurement Focus, Basis of Accounting and Financial Statement 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. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions should be recognized when the exchange takes place. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes, 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 and deferred outflows of resources as well as deferred inflows of resources and long-term debt and obligations. The Library’s net position is reported in three parts: net investment in capital assets, restricted net position, and unrestricted net position.

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

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

The Library's individual 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, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

The Library reports the following major governmental funds:

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

Permanent Fund - The Endowment Fund is used to account for the Library's non-expendable endowment where only the earnings are used to fund current operations.

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

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, as well as deferred inflows and deferred outflows of resources 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.

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

Assets, Deferred Outflows of Resources, Deferred Inflows of Resources, Liabilities, and Net Position or Equity

Capital Assets - Capital assets are defined by the Library as assets with an estimated useful life in excess of one year and cost of \$2,000 or more. 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.

Building improvements, furniture and fixtures, equipment, and library books, periodicals, etc. are depreciated using the straight-line method over the following useful lives:

Buildings	20 – 50 years
Building improvement	10 – 20 years
Furniture and fixtures	5 – 10 years
Library books, periodicals, etc.	10 years
Equipment	5 – 10 years
Computer hardware	5 years
Computer software	5 years

Deferred Outflows of Resources — In addition to assets, the Statement of Net 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. As of December 31, 2015, the Library had \$63,779 classified as deferred outflows of resources related to the pension plan.

Deferred Inflows of Resources — In addition to liabilities, the Statement of Net 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. As of December 31, 2015, the Library had \$1,998,000 classified as deferred inflows of resources for taxes levied but intended for the subsequent period.

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**Assets, Deferred Outflows of Resources, Deferred Inflows of Resources, Liabilities, and Net Position or Equity, Continued**

Compensated Absences (Vacation and Sick Leave) – It is the Library’s policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the fund balance sheet only if there were employee terminations as of year-end.

Property Taxes – Properties are assessed as of December 31. The related property taxes are billed and become a lien on December 1 of the following year, at which time the Library recognizes the levy. These taxes are due on February 15 with the final collection date of February 28. Starting March 1, they are added to the county tax rolls.

The 2014 taxable valuation of the County totaled approximately \$1.77 billion, on which taxes levied consisted of .8917 mills for the Library’s operations. This resulted in approximately \$1.3 million for operations. The amount is recognized in the respective General Fund financial statements as tax revenue. The levy for 2015 has increased to 1.01917 mills and has been valued at \$1,998,000 and recorded as taxes receivable and a deferred inflow of resources.

Fund Balances – The Library follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The following are definitions for the Library’s fund balance classifications:

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. As of December 31, 2015, \$161,597 of Library’s fund balance was classified as non-spendable for an endowment.

Restricted fund balance – includes amounts that can be spent only for 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. As of December 31, 2015, none of the Library’s fund balance had any set restrictions.

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED**Assets, Deferred Outflows of Resources, Deferred Inflows of Resources, Liabilities, and Net Position or Equity, Concluded**

Committed fund balance – includes amounts that can be used only for 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 constraint originally. As of December 31, 2015, the Library did not have any committed fund balance classification.

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. As of December 31, 2015, \$529,678 of Library’s fund balance was classified as assigned for capital improvements.

Unassigned fund balance – is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds that has not been restricted, committed, or assigned to specific purposes within the General Fund. As of December 31, 2015, \$883,627 was classified as unassigned.

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.

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.

Pension – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and net pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (“MERS”) of Michigan and additions to/deductions from MERS’ fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The annual budget is prepared by the Library Director and adopted by the Library Board of Trustees; subsequent amendments are approved by the Library Board of Trustees. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. There were no encumbrances outstanding at December 31, 2015. During the current year, the budget was amended in a legally permissible manner. The budget statement (Budgetary Comparison Schedule – General Fund) is presented on the same basis of accounting used in preparing the adopted budget. 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 the actual results of operations of the General Fund is available for inspection.

Excess of Expenditures Over Appropriations in Major Budgeted Funds- During the year, the Library incurred the following expenditures that were over budget.

	Amended <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Professional fees	\$ 64,000	\$ 68,427	\$ (4,427)

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

Funds Deficits – The Library has no accumulated fund balance deficits in their reported funds.

NOTE 3. RECEIVABLE AND PAYABLES

Receivables as of December 31, 2015 for the Library's General Fund consisted of \$1,981,370 of taxes receivable for taxes levied in the current year but not yet received.

Payables as of December 31, 2015 for the Library's General Fund consisted of \$3,770 of trade payables.

NOTE 4. DEPOSITS AND INVESTMENTS

Michigan Compiled Law 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 Library 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 mature 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 five 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 bonds and securities of the United States government and 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.

The Library's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. Accounts at each financial institution are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000. As of December 31, 2015, \$47 of the Library's bank balance was exposed to custodial risk because it was uninsured or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name. The Library does not have a deposit policy for custodial credit risk.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Library has no investment policy that would further limit its investment choices. The investments as of December 31, 2015 are as follows:

Investment	Fund	Fair Value	Interest Rate	Maturity Date
CD - Kalamazoo State Bank	General Fund	\$ 200,000	0.42%	3/24/2016
CD - PNC Bank	General Fund	250,000	0.40%	5/29/2016
CD - Chemical Bank	General Fund	100,000	0.40%	7/22/2016
CD - Sturgis Bank and Trust	General Fund	200,000	0.10%	6/15/2016
CD - Fifth Third Bank	General Fund	99,000	0.25%	8/11/2016
CD - Fifth Third Bank	General Fund	99,000	0.25%	8/11/2016
CD - Fifth Third Bank	General Fund	52,000	0.25%	8/11/2016
CD - Honor Credit Union	General Fund	150,000	0.75%	9/16/2016
CD - First State Bank	Endowment Fund	153,000	0.45%	9/25/2016
	Total	<u>\$ 1,303,000</u>		

NOTE 5. CAPITAL ASSETS

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

	Balance 1/1/2015	Additions	Disposals and Adjustments	Balance at 12/31/15
<u>Depreciable capital assets:</u>				
Vehicles	\$ 29,558	\$ 21,364	\$ (10,000)	\$ 40,922
Furniture and fixtures	345,889	-	-	345,889
Equipment	188,484	27,503	(22,343)	193,644
Books, audiovisual, periodicals	1,580,551	146,844	(200,000)	1,527,395
Subtotal	<u>\$ 2,144,482</u>	<u>\$ 195,711</u>	<u>\$ (232,343)</u>	<u>\$ 2,107,850</u>
Less: Accumulated Depreciation				
Vehicles	\$ (21,736)	\$ (8,185)	\$ 10,000	\$ (19,921)
Furniture and fixtures	(260,215)	(17,168)	-	(277,383)
Equipment	(125,765)	(16,480)	22,343	(119,902)
Books, audiovisual, periodicals	(895,141)	(118,010)	200,000	(813,151)
Subtotal	<u>\$ (1,302,857)</u>	<u>\$ (159,843)</u>	<u>\$ 232,343</u>	<u>\$ (1,230,357)</u>
Net depreciable capital assets	<u>\$ 841,625</u>			<u>\$ 877,493</u>
Net capital assets	<u>\$ 841,625</u>			<u>\$ 877,493</u>

Capital assets, including library books, are recorded at cost. Depreciation expense was \$159,843 for the year ended December 31, 2015.

NOTE 6. LONG-TERM DEBT

Long-term debt is comprised of the following at December 31, 2015:

	Interest Rate	Principal Matures	Beginning Balance	Net Change	Ending Balance	Due Within One Year
Other Liabilities:						
Compensated						
Absences	n/a	n/a	\$ 166,126	\$ 626	\$ 166,752	\$ -
			<u>\$ 166,126</u>	<u>\$ 626</u>	<u>\$ 166,752</u>	<u>\$ -</u>

NOTE 7. RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library obtains general liability insurance to cover those risks at a cost it considers to be economically justifiable.

NOTE 8. EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS - MERS**Defined benefit pension plan**

Plan description – The Library participates in the Michigan Municipal Employees’ Retirement System (“MERS”), an agent multiple-employer, statewide public employee defined benefit pension plan that covers all the employees of the Library. The plan was established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917 or on the web at <http://www.mersofmich.com>.

Benefits provided – Benefits provided include a plan with a multiplier of 1.50%. Vesting periods are 10 years. Normal retirement age is 60 with early retirement at 50 with 25 years of service or 55 with 15 years of service. Final average compensation is calculated based on 5 years. Member contributions are zero percent.

Employees covered by benefit terms – At the December 31, 2014 valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to, but not yet receiving benefits	1
Active employees	14
	<u>19</u>

Contributions – The Library is required to contribute amounts at least equal to the actuarially determined rate, as established by MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employer contributions were 7.97% based on annual payroll for open-divisions.

Net pension liability/asset – The employers’ net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions – The total pension liability in the December 31, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include:

- Inflation 3-4%
- Salary increases 4.5% in the long-term (1%, 2%, and 3% for calendar years 2014, 2015, 2016, respectively)
- Investment rate of return of 8%, net of investment expense, including inflation.

NOTE 8. EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS – MERS, CONTINUED**Actuarial assumptions, concluded:**

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3-4%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disable members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008. (MERS Retirement Board is currently conducting an actuarial experience study covering the period from January 1, 2009 through December 31, 2013).

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates or arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of return
Global equity	57.5%	5.02%
Global fixed income	20.0%	2.18%
Real assets	12.5%	4.23%
Diversifying strategies	10.0%	6.56%

Discount rate – The discount rate used to measure the total pension liability is 8.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plans fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 8. EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS – MERS, CONTINUED

	Increase (Decrease)		Net Pension Liability (Asset)
	Total Pension Liability	Plan Fiduciary Net Position	
Beginning Balance at 12-31-13	\$ 1,632,020	\$ 1,443,722	\$ 188,298
Changes for the Year			
Service cost	31,731	-	31,731
Interest on the total pension liability	132,630	-	132,630
Changes in benefits	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Employer contributions	-	44,134	(44,134)
Employee contributions	-	-	-
Net investment income	-	90,859	(90,859)
Benefit payments, including employee refunds	(80,488)	(80,488)	-
Administrative expense	-	(3,334)	3,334
Other changes	-	-	-
Net changes	<u>\$ 83,873</u>	<u>\$ 51,171</u>	<u>\$ 32,702</u>
Ending Balance at 12-31-14	<u>\$ 1,715,893</u>	<u>\$ 1,494,893</u>	<u>\$ 221,000</u>

Sensitivity of the net pension liability/asset to changes in the discount rate – The following presents the net pension liability/asset of the Library, calculated using the discount rate of 8.25%, as well as what the employer's net pension liability/asset would be using a discount rate that is 1% point lower (7.25%) or 1% higher (9.25%) than the current rate.

	1% decrease (7.25%)	Current discount rate (8.25%)	1% increase (9.25%)
Calculated NPL	<u>\$ 398,846</u>	<u>\$ 221,000</u>	<u>\$ 68,490</u>

NOTE 8. EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS – MERS, CONCLUDED

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended December 31, 2015, the employer recognized pension expense of \$55,547. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences in experience	\$ -	\$ -
Differences in assumptions	-	-
Excess (Deficit) Investment Returns	21,289	-
Contributions subsequent to the measurement date*	42,490	-
Total	<u>\$ 63,779</u>	<u>\$ -</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability for the year ending 2016.

Amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended	
2016	\$ 5,322
2017	5,322
2018	5,322
2019	5,323
	<u>\$ 21,289</u>

NOTE 9. INTERFUND TRANSFERS

Transfers In:	Transfer Out:	Amount
General Fund	Endowment Fund	<u>\$ 337</u>
	Total	<u>\$ 337</u>

In 2015, the Endowment Fund transferred earned interest to the General Fund.

NOTE 10. WEBSTER MEMORIAL LIBRARY AGREEMENT

The Webster Memorial Library (“WML”) was created from the Webster Memorial Library Trust in 1960 for the purpose of establishing a free public library in the Village of Decatur. In an agreement dated December 15, 1999, the Library is to receive an annual distribution in the amount of 4% of the fair market value of assets held by the WML as of the preceding June 30th, and to be used for the Decatur library operations. The total amount received for 2015 was \$89,628, and is included in “local contributions and other”. The agreement was amended on December 23, 2010 and stated that commencing in the year 2012 and each year thereafter, the WML will quarterly distribute funds to the Library in the amount of .75% of the fair market value of assets held by WML as of the last day of the preceding quarter, however, if the fair market value of the assets held by the WML as of the last day of the preceding quarter is less than \$2,000,000, the distribution for that quarter will be in the amount of .625% of the FMV of the assets held by WML.

NOTE 11. VILLAGE OF LAWTON PUBLIC LIBRARY AGREEMENT

Effective July 1, 1990, the Library entered into an agreement with the Village of Lawton Public Library (“Lawton”) to contract with Lawton to provide library services for Porter Township. The agreement calls for the Library to pay 75% of the penal fines and any direct state aid received (based on Porter Township population) and 75% of Porter Township property tax collection to Lawton. The agreement was for 5-years and renews for successive 5-years, so long as both parties continue to receive their respective special millages. The amount paid to Lawton for 2015 was \$93,017 (\$84,232 taxes; \$8,785 penal fines).

NOTE 12. HARTFORD DISTRICT LIBRARY AGREEMENT

Effective July 1, 1990, the Library entered into an agreement with the Hartford District Library (“Hartford”) to contract with Hartford to provide library services for Bangor Township. The agreement calls for the Library to pay 10% of the penal fines and any direct state aid received (based on Bangor Township population) and 10% of Bangor Township property tax collections to Hartford. The agreement was for 5-years and renews for successive 5-years, so long as both parties continue to receive their respective special millages. The amount paid to Hartford for 2015 was \$6,460 (\$5,439 taxes; \$1,021 penal fines.)

NOTE 13. RECONCILIATION OF THE LIBRARY AS A WHOLE AND THE INDIVIDUAL FUND FINANCIAL STATEMENTS

Total fund balances and the net change in fund balances of the Library's individual funds differ from net position and change in net position of the Library as a whole reported in the Statement of Net Position and Statement of Activities. This difference results primarily from the long-term economic focus of the Statement of Net Position and Statement of Activities versus the current focus of the statement of the individual governmental funds' balance sheets and statements 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:

Adjustments for Balance Sheet to Statement of Net Position:

Total Fund Balances - Governmental Funds	\$ 1,574,902
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets (net of depreciation) are not financial resources, and are not reported in the funds	877,493
Net pension liability	(221,000)
Deferred outflows of resources related to pension plan	63,779
Compensated absences are not included as a liability in the funds.	(166,752)
Total Net Position - Governmental activities	<u><u>\$ 2,128,422</u></u>

Adjustments for Statement of Revenues and Expenditures and Changes in Fund Balance to Statement of Activities:

Net Change in Fund Balances - Modified Accrual Basis	\$ (26,658)
Amounts reported in the Statement of Activities are different because:	
Capital outlay is not an expense of the current period.	195,711
Capital costs are allocated over their estimated useful lives as depreciation.	(159,843)
Change in the accrual for long-term compensated absences reported as an expense in the Statement of Activities, but not in the fund's statements.	(626)
Change in net pension asset and related deferred amounts	(13,057)
Change in Net Position of Governmental Activities	<u><u>\$ (4,473)</u></u>

NOTE 14. OPERATING LEASES

The Library entered into a five-year lease of a postage machine. This lease was entered into in December of 2012. Rent expense was \$624 for the fiscal year ended December 31, 2015. The annual future rents are as follows:

Fiscal Year Ending December 31,	
2016	\$ 624
2017	624
	<u>\$ 1,248</u>

NOTE 15. CONTINGENCY

A major taxpayer has appealed to the Michigan Court of Appeals regarding current and prior taxable values and classifications for certain property within the Library's taxable area. Based on current proceedings, there is a possible reduction of the taxable values for this taxpayer. This reduction could result in a chargeback for previous tax revenue received. In addition, this change in property tax values could result in a decrease of future expected property tax revenue. Because the future outcome of this appeal is not presently determinable, the possible range of potential loss cannot be predicted. No accrual has been made in the financial statements.

NOTE 16. ADOPTION OF NEW ACCOUNTING STANDARDS

The GASB has issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement No. 68 requires governments participating in public employee pension plans to recognize their portion of the long-term obligation of the pension benefits as a liability/asset and to measure the annual costs of the pension benefits. The net pension liability/asset is recorded on the government-wide statements. GASB Statement No. 71 amends GASB Statement No. 68 to address an issue concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of GASB Statement No. 68 by employers and non-employer contributing entities.

The implementation of these standards resulted in the Library reporting a net pension liability and deferred outflows of resources as of December 31, 2014. The following summarizes the restatements that have been made to the Library's financial statements:

Net position at December 31, 2014 - as originally stated	\$ 2,277,059
Net pension liability	(188,298)
Deferred outflows of resources related to pensions	44,134
Net position at December 31, 2014 - as restated	<u>\$ 2,132,895</u>

NOTE 17. SUBSEQUENT EVENTS

The Library has evaluated subsequent events through February 23, 2016, 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 December 31, 2015

	Originally Adopted Budget	Amended Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property taxes (Less \$84,232 to Lawton, \$5,439 to Hartford)	\$ 1,300,000	\$ 1,327,000	\$ 1,327,969	\$ 969
State sources	25,000	25,000	27,487	2,487
Penal fines (less \$8,785 to Lawton, \$1,021 to Hartford)	186,000	186,000	200,383	14,383
Fees and book fines	39,500	39,500	37,502	(1,998)
Investment income	4,000	4,000	4,226	226
Webster trust contributions	74,000	88,000	89,628	1,628
Local contributions and other	69,500	57,600	65,919	8,319
Total revenues	<u>\$ 1,698,000</u>	<u>\$ 1,727,100</u>	<u>\$ 1,753,114</u>	<u>\$ 26,014</u>
Expenditures:				
Salaries	\$ 941,500	\$ 931,000	\$ 929,093	\$ 1,907
Payroll taxes	71,500	71,500	69,602	1,898
Insurance (health, life, disability, w/c)	87,500	87,500	84,235	3,265
Pension	41,000	42,500	42,490	10
Office and library supplies	9,500	9,500	7,724	1,776
Postage, printing, copying	21,500	21,500	18,721	2,779
Gas and oil	5,000	5,000	3,092	1,908
Janitor supplies	4,500	4,500	3,278	1,222
Professional fees	16,000	64,000	68,427	(4,427)
Dues and subscriptions	3,500	3,600	3,565	35
Contractual services	48,000	48,000	47,083	917
Utilities	66,000	54,000	53,198	802
Telephone	10,000	13,000	12,434	566
Travel	14,000	11,000	9,119	1,881
Promotional and reading programs	19,500	19,500	19,073	427
General and vehicle insurance	13,000	9,000	8,045	955
Maintenance	62,000	73,500	70,976	2,524
Continuing education	3,000	3,000	1,759	1,241
Capital outlay	87,000	88,700	86,686	2,014
Audiovisual , books, and periodicals	180,000	179,900	175,244	4,656
Internet fees	25,000	20,000	19,694	306
Miscellaneous	1,000	2,500	2,099	401
Grant	70,000	50,000	50,000	-
Total expenditures	<u>\$ 1,800,000</u>	<u>\$ 1,812,700</u>	<u>\$ 1,785,637</u>	<u>\$ 27,063</u>
Excess of expenditures over revenues	<u>\$ (102,000)</u>	<u>\$ (85,600)</u>	<u>\$ (32,523)</u>	<u>\$ 53,077</u>
Other Financing Sources(Uses)				
Operating transfers in	1,000	1,000	337	(663)
Net Change In Fund Balances	<u>\$ (101,000)</u>	<u>\$ (84,600)</u>	<u>\$ (32,186)</u>	<u>\$ 52,414</u>
Fund Balance-Beginning of Year	1,445,491	1,445,491	1,445,491	-
Fund Balance-End of Year	<u>\$ 1,344,491</u>	<u>\$ 1,360,891</u>	<u>\$ 1,413,305</u>	<u>\$ 52,414</u>

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Changes in the Employer's Net Pension Liability and Related Ratios

	Year Ended December 31, 2015
Total Pension Liability	
Service cost	\$ 31,731
Interest	132,630
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	-
Benefit payments including employee refunds	(80,488)
Other	-
Net Change in Total Pension Liability	\$ 83,873
Total Pension Liability beginning	\$ 1,632,020
Total Pension Liability ending	\$ 1,715,893
 Plan Fiduciary Net Position	
Contributions - employer	\$ 44,134
Contributions - employee	-
Net Investment income	90,859
Benefit payments including employee refunds	(80,488)
Administrative expense	(3,334)
Net Change in Plan Fiduciary Net Position	\$ 51,171
Plan Fiduciary Net Position beginning	\$ 1,443,722
Plan Fiduciary Net Position ending	\$ 1,494,893
 Employer Net Pension Liability (Asset)	\$ 221,000
 Plan Fiduciary Net Position as a percentage of the Total Pension Liability	87%
 Covered Employee Payroll	\$ 549,926
Employer's Net Pension Liability as a percentage of covered employee payroll	40%

Notes to schedule:

Benefit changes (if any) can be found in the actuarial valuation section titled: "Benefit Provision History"
Changes in assumptions: There were no changes in actuarial assumptions or methods affecting the 2014 valuation.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer's Contributions

	<u>Year Ended December 31, 2015</u>
Actuarial determined contributions	\$ 41,134
Contributions in relation to the actuarially determined contribution	44,134
Contribution deficiency (excess)	<u>\$ (3,000)</u>
Covered employee payroll	\$ 549,926
Contributions as a percentage of covered employee payroll	8%

Notes to Schedule

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	10 year smoothed
Inflation	3.5%
Salary increases	4.5%
Investment rate of return	8%
Retirement age	Varies depending on plan adoption
Mortality	50% Female/50% Male 1994 Group Annuity Mortality Table



To the Library Board and Executive Director
of Van Buren District Library
Decatur, Michigan

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Van Buren District Library (the "Library") as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Van Buren District Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purposes described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in Van Buren District Library's internal control to be a significant deficiency:

Segregation of Incompatible Duties

Management is responsible for establishing effective internal controls to safeguard the Library's assets, and to prevent or detect misstatements to the financial statements. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the Library's unique circumstances.

As is the case with many library's of similar size, the Library lacks a sufficient number of accounting personnel in order to ensure a complete segregation of incompatible duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it. Events of recent year have given rise to a heightened awareness of the risks of fraud and abuse, especially in the governmental environment, where public accountability is at its highest. The purpose of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitation on the effectiveness of a government's internal control carries with it a greater risk of fraud and abuse.

This condition is a result of the Library's limited resources, and the small size of its accounting staff.

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

Sincerely,

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

Certified Public Accountants

St. Joseph, Michigan

February 23, 2016