

**BRANCH DISTRICT LIBRARY
BRANCH COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

**To the Members of the Branch
District Library Board
Coldwater, Michigan**

January 29, 2021

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Branch District Library as of and for the year ended December 31, 2020, 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 the 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 of 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.

**To the Members of the Branch
District Library Board
Coldwater, Michigan**

January 29, 2021

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 for the Branch District Library as of December 31, 2020 and the respective changes in financial position thereof 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 identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Branch District Library's basic financial statements. The other supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. The other supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Taylor, Plant & Watkins, P.C.
TAYLOR, PLANT & WATKINS, P.C.
COLDWATER, MICHIGAN

BRANCH DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Branch District Library's financial performance provides an overview of the Branch District Library's financial activities for the fiscal year ended December 31, 2020. Please read it in conjunction with the Branch District Library's financial statements.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Branch District Library as a whole and present a longer-term view of the Library's finances. This longer-term view uses the accrual basis of accounting to measure the cost of providing services.

The fund financial statements present a short-term view; they tell us how the 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.

Government-wide Financial Statements - Government-wide financial statements begin on page 9 and provide readers with a broad overview of the finances of the Library as a whole, in a manner similar to a private sector business, distinguishing functions of the Library that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as "business-type activities"). These statements present a longer-term view using the accrual basis of accounting, which requires that revenues are reported when they are earned and expenses are reported when incurred. They measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services. The statements include a Statement of Net Position and Statement of Activities.

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. The Statement of Activities reports the current year's revenues and expenses and how the Library's net position changed during the year. Over time, increases or decreases in net position can serve as one indicator of the financial position of the Library.

Fund Financial Statements – The fund financial statements begin on page 11 and present more detailed information about the Library's most significant funds, not the Library as a whole. The fund financial statements present a short-term view, using a modified accrual basis of accounting, and tell us how the taxpayers' resources were spent during the year as well as how much is available for future spending. Funds are accounting tools the Library uses to keep track of specific sources of funding and spending for particular purposes.

BRANCH DISTRICT LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Governmental Funds – Governmental funds account for most, if not all, of a government's tax-supported functions. They are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

Notes to the Financial Statements – The notes provide supplementary information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report also contains certain required supplementary information concerning budgetary comparisons of the General Fund, as well as other supplementary information.

The Library as a Whole

The following table shows, in condensed format, the fund balance as of the current date and compared to the prior year under the modified accrual basis:

	Governmental Funds	
	2020	2019
Assets	\$ 2,118,793	\$ 1,904,525
Liabilities and deferred inflows of resources	<u>114,298</u>	<u>99,811</u>
Fund Balance		
Nonspendable	-	14,653
Restricted	303,180	233,647
Committed	185,412	631,714
Assigned	395,946	631,714
Unassigned	<u>1,119,957</u>	<u>924,700</u>
Total fund balance	<u>\$ 2,004,495</u>	<u>\$ 2,436,428</u>

BRANCH DISTRICT LIBRARY**MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued**

The following table shows, in condensed format, the net position as of the current date as required by GASB 34 stated under the full accrual basis compared to prior year:

	Governmental Activities	
	2020	2019
Assets		
Current and other assets	\$ 2,118,793	\$ 1,904,525
Capital assets	483,959	503,555
Total assets	2,602,752	2,408,080
Liabilities		
Current liabilities and deferred inflows	114,298	99,811
Long-term	34,300	34,200
Total liabilities	148,598	134,011
Net Position		
Investment in capital assets - net of related debt	483,959	503,555
Restricted for:		
Special revenue trust fund	341,458	284,535
Capital projects fund	-	433,692
Permanent trust fund	147,134	147,134
Unrestricted	1,481,603	905,153
Total net position	<u>\$ 2,454,154</u>	<u>\$ 2,274,069</u>

BRANCH DISTRICT LIBRARY

MANAGEMENT’S DISCUSSION AND ANALYSIS – Continued

The following table shows the changes of the fund equity during the current year and as compared to the prior year, under the modified accrual basis:

	Governmental Funds	
	2020	2019
Revenues		
Taxes	\$ 1,684,769	\$ 1,638,533
State aid	37,552	37,646
Charges for services	24,936	31,457
Penal fines	152,464	216,713
Interest earned	10,588	13,281
Donations	80,359	36,785
Reimbursements	24,586	16,608
Other revenue	3,708	5,756
	<hr/>	<hr/>
Total revenue	2,018,962	1,996,779
Expenditures		
Cultural	1,819,181	1,813,237
Capital outlay	-	8,026
	<hr/>	<hr/>
Total expenditures	1,819,181	1,821,263
	<hr/>	<hr/>
Change in fund equity	\$ 199,781	\$ 175,516

BRANCH DISTRICT LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

The following table shows, in condensed format, the changes of net position as of the current date as required by GASB 34 stated under full accrual basis:

	Governmental Activities	
	2020	2019
Revenues		
Program revenues:		
Charges for services	\$ 24,936	\$ 31,457
Operating/grants and contributions	104,945	53,392
General revenues:		
Property taxes	1,684,769	1,638,534
State aid not restricted for specific purposes	37,552	37,646
Penal fines not restricted for specific purposes	152,464	216,713
Interest and investment earnings	10,588	13,281
Other	3,708	5,756
Total revenues	2,018,962	1,996,779
Expenditures		
Cultural	1,838,877	1,858,997
Change in Net Position	\$ 180,085	\$ 137,782

- The Library's net position increased by \$180,085 this year, compared to an increase of \$137,786 in the prior year, under full accrual accounting. Under the modified accrual basis fund equity increased \$199,781 compared to an increase of \$175,516 in the prior year.
- The Library's primary source of revenue is property taxes, which represented 83% percent of total revenue. Penal fines in 2020 accounted for 8% of revenue.
- Personnel cost continues to be the Library's most significant expense, representing 69% percent of total governmental fund expenses.
- Depreciation expense of \$162,584 represents approximately 9% percent of the Library's total governmental activities expenses.

BRANCH DISTRICT LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Library Budgetary Highlights for 2020:

- Branch District Library started 2020 with plans for tackling major projects and launching new services. However, the worldwide coronavirus pandemic changed all of that, and had dramatic effects on our finances. While tax revenue was up, largely due to rising housing values in Branch County, other revenue sources were much lower or flat, resulting in a total revenue picture approximately the same as in 2019.
- Expenditures, on the other hand, were far under budget projections as the pandemic kept the Library closed for three months in spring, then opened at reduced capacity for the remainder of the year. This resulted in being well under budget in nearly every category. Together with the transfer of the Capital Projects into the General Fund, our fund balance is significantly higher than in past years.

Next Year's Funding (2021)

- Looking ahead to 2021, we expect tax revenue to continue to be strong, though the pandemic effects will likely keep penal fine revenue down. We have added additional services, services for patrons at home, and plan to get major building maintenance projects completed that the pandemic put on hold last year. Overall, we have a budget in place that accomplishes these goals without pulling from the unassigned fund balance.

BRANCH DISTRICT LIBRARY
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 700,825
Investments	696,597
Due from other governmental units	21,331
Restricted assets:	
Cash	475,087
Investments	224,953
Capital assets less accumulated depreciation of \$764,030	<u>483,959</u>
 Total assets	 2,602,752
LIABILITIES	
Accounts payable	3,159
Accrued expenses	54,909
Due to other governmental units	544
Long term liabilities	
Compensated absences	<u>34,300</u>
 Total liabilities	 92,912
DEFERRED INFLOWS OF RESOURCES	
Property tax revenues levied for subsequent year	55,686
NET POSITION	
Investment in capital assets - net of related debt	483,959
Restricted for:	
Special revenue trust fund	341,458
Permanent trust fund	147,134
Unrestricted	<u>1,481,603</u>
 Total net position	 <u><u>\$ 2,454,154</u></u>

See Notes to Financial Statements

BRANCH DISTRICT LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

Functions/Programs	Program Revenues			Governmental Activities
	Expenses	Charges for Services	Operating / Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Cultural	\$ 1,838,877	\$ 24,936	\$ 104,945	\$ (1,708,996)
General revenues:				
				1,684,769
				37,552
				152,464
				10,588
				3,708
				1,889,081
				180,085
				2,274,069
				\$ 2,454,154

BRANCH DISTRICT LIBRARY

**GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2020**

	General Fund	Special Revenue Trust Fund	Capital Projects Fund	Permanent Trust Fund	Total Governmental Funds
ASSETS					
Cash	\$ 515,413	\$ 185,412	\$ -	\$ -	\$ 700,825
Investments	696,597	-	-	-	696,597
Due from County	21,331	-	-	-	21,331
Restricted assets:					
Cash	291,882	126,205	-	57,000	475,087
Investments	104,978	29,841	-	90,134	224,953
 Total assets	<u>\$ 1,630,201</u>	<u>\$ 341,458</u>	<u>\$ -</u>	<u>\$ 147,134</u>	<u>\$ 2,118,793</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
LIABILITIES					
Accounts payable	\$ 3,159	\$ -	\$ -	\$ -	\$ 3,159
Accrued expenses	54,909	-	-	-	54,909
Due to others	544	-	-	-	544
 Total liabilities	58,612	-	-	-	58,612
DEFERRED INFLOWS OF RESOURCES					
Property tax revenues levied subsequent year	55,686	-	-	-	55,686
FUND BALANCE					
Nonspendable	-	-	-	-	-
Restricted	-	156,046	-	147,134	303,180
Committed	-	185,412	-	-	185,412
Assigned	395,946	-	-	-	395,946
Unassigned	1,119,957	-	-	-	1,119,957
 Total fund balance	<u>1,515,903</u>	<u>341,458</u>	<u>-</u>	<u>147,134</u>	<u>2,004,495</u>
 Total liabilities and fund balance	<u>\$ 1,630,201</u>	<u>\$ 341,458</u>	<u>\$ -</u>	<u>\$ 147,134</u>	<u>\$ 2,118,793</u>

See Notes to Financial Statements

BRANCH DISTRICT LIBRARY
GOVERNMENTAL FUNDS
RECONCILIATION OF BALANCE SHEET OF
GOVERNMENTAL FUNDS TO NET POSITION
DECEMBER 31, 2020

Total Fund Balance - Governmental Funds	\$ 2,004,495
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
The cost of the capital assets	1,247,989
Accumulated depreciation	<u>(764,030)</u>
Total capital assets not reported in the funds	483,959
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Compensated absences	<u>(34,300)</u>
Total Net Position - Governmental Activities	<u><u>\$ 2,454,154</u></u>

BRANCH DISTRICT LIBRARY

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2020**

	General Fund	Special Revenue Trust Fund	Capital Projects Fund	Permanent Trust Fund	Total Governmental Funds
REVENUES					
Taxes	\$ 1,684,769	\$ -	\$ -	\$ -	\$ 1,684,769
State aid	37,552	-	-	-	37,552
Charges for services	24,936	-	-	-	24,936
Penal fines	152,464	-	-	-	152,464
Interest earned	9,132	1,456	-	-	10,588
Donations	-	80,359	-	-	80,359
Reimbursements	24,586	-	-	-	24,586
Other revenue	3,708	-	-	-	3,708
Total revenues	1,937,147	81,815	-	-	2,018,962
EXPENDITURES					
Cultural	1,819,130	51	-	-	1,819,181
Capital outlay	-	-	-	-	-
Total expenditures	1,819,130	51	-	-	1,819,181
Excess (deficiency) of revenues over expenditures	118,017	81,764	-	-	199,781
OTHER SOURCES (USES)					
Transfers from (to) other funds	458,533	(24,841)	(433,692)	-	-
Excess (deficiency) of revenues over expenditures	576,550	56,923	(433,692)	-	199,781
FUND BALANCE - BEGINNING	939,353	284,535	433,692	147,134	1,804,714
FUND BALANCE - ENDING	\$ 1,515,903	\$ 341,458	\$ -	\$ 147,134	\$ 2,004,495

See Notes to Financial Statements

BRANCH DISTRICT LIBRARY
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

Net change in Fund Balance - Total Governmental Funds	\$ 199,781
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation expense	(162,584)
Capital outlay	<u>142,988</u>
Total	(19,596)
Increase in compensated absences are reported as an decrease to expenditures	<u>(100)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 180,085</u></u>

BRANCH DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Branch District Library conform to generally accepted accounting principles of the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

REPORTING ENTITY:

The Library was formed during 1991 under P.A. 24 and began operations as a separate entity on January 1, 1992. Previously, the Library was a component unit of the County of Branch. The Library operates under an appointed board of seven members and provides library services to the residents of Branch County. The financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service and special financing relationships.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements, the statement of net position and the statement of activities, report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Library's government-wide activities are considered governmental activities.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Library first utilizes restricted resources to finance qualifying activities.

BRANCH DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION:

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

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

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State shared revenues.

Fund-based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State shared revenues, intergovernmental grants, charges for services and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received.

BRANCH DISTRICT LIBRARY

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION:

MAJOR GOVERNMENTAL FUNDS

General Fund is the general operating fund of the Library. It is used to account for all the Library's financial resources not required to be accounted for in another fund.

Special Revenue Trust Fund is used to account for donations received and expended for Library purposes.

Capital Projects Fund was used to account for the portion of the millage designated each year by the Board. The Capital Projects Fund was transferred to the General Fund during 2020.

Permanent Trust Fund is used to account for the assets held by the Library in a trustee capacity for donations. The principal portion must remain intact, but the earnings may be used to achieve the objectives of the donor.

ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS AND NET POSITION:

Cash and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at cost, which approximates fair market value. Pooled investment income is generally allocated to each fund using a weighted average.

Capital Assets – Capital assets, which include equipment, furniture and fixtures, and books, are reported in the applicable governmental activity's column in the government-wide financial statements. Assets are recorded at historical cost or estimated historical cost if purchased. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The Library has recorded current assets deemed to have future value. The Library determined there was no future value in assets not capitalized in past years.

Equipment, furniture and fixtures, and books are depreciated using the straight-line method over the following useful lives:

Leasehold improvements	15-20 Years
Machinery and equipment	5-10 Years
Furniture and fixtures	7-10 Years
Books	3-5 Years

BRANCH DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS AND NET POSITION - Continued:

Deferred Outflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Library does not have anything that qualifies for reporting in this category.

Deferred Inflows of Resources – In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time, including property tax revenues received which are intended to finance the subsequent year.

Compensated Absences - As of December 31, 2020, the Library was liable for compensated absences of unused vacation and sick pay for approximately \$34,300. Vacation and sick pay are earned, accumulated and paid on termination based upon the personnel policies governing the various employees.

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Fund Balance – The Library implemented GASB statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. The 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 inventory) 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.

BRANCH DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS AND NET POSITION - Continued:

Fund Balance – Continued:

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.

The Library establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Library’s Board through adoption or amendment of the budget as intended for specific purpose. The Library would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.

BASIS OF BUDGETING:

The Library adopted their annual budgets based on the modified accrual method of accounting. Expenditures were estimated by line-item basis, but approved on a functional basis. The Library included an estimated beginning fund balance within the approved budgets. The budgets can only be amended by the Board. Such amendments are reflected in the official minutes of the Board, and are not made after year end as dictated by law. No revisions were made to the budgets during the year.

In the other supplemental information, the Library has provided line-item detail for the General Fund for informational purposes only.

ENCUMBRANCE ACCOUNTING:

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances at year end may be reappropriated in the next year. No reservation of fund balance equal to outstanding encumbrances at year end is required.

BRANCH DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

USE OF ESTIMATES:

The Library uses estimates and assumptions in the preparation of the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenditures.

SUBSEQUENT EVENTS:

The Library evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through the auditors' opinion date.

NOTE B - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Library to deposit and invest in accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government of Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involve no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The Library has designated financial institutions for the deposit of Library funds and has authorized the investment in certificates of deposit. The accounts maintained are checking, savings and certificates of deposit and are in accordance with statutory authority. The interest rates of the checking and savings accounts are at variable daily rates. The certificates of deposit are currently earning interest rates of .15 to 3.1%.

Investments consist of certificate of deposits with an original maturity date of greater than three months. The investments are carried at cost which approximates market value.

BRANCH DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE B - DEPOSITS AND INVESMENTS - Continued

Interest rate risk – In accordance with its investment policy, the Library will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Library’s cash requirements.

Credit risk – State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The Library does not allow direct investment in commercial paper or corporate bonds.

Concentration of credit risk – The Library will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Library’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk for deposits – In the case of deposits, this is the risk that in the event of a financial institution failure, the Library’s deposits may not be recovered. As of December 31, 2020, \$1,882,573 of the Library’s bank balance of \$2,132,573 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk for investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Library will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Library will do business.

Foreign currency risk – The Library is not authorized to invest in investments which have this type of risk.

NOTE C – DUE FROM COUNTY

As of December 31, 2020, the Library has amounts due from the County of Branch in the amount of \$21,331 for penal fines.

BRANCH DISTRICT LIBRARY**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED DECEMBER 31, 2020****NOTE D – CAPITAL ASSETS**

Capital asset activity of the Branch District Library’s governmental activities was as follows:

GOVERNMENTAL ACTIVITIES

	Balance January 1, 2020	Additions	Disposals	Balance December 31, 2020
GROUP:				
Books	\$ 488,602	\$ 85,414	\$ 47,215	\$ 526,801
Machinery and equipment	561,900	57,574	-	619,474
Leasehold improvements	101,714	-	-	101,714
Subtotal	1,152,216	142,988	47,215	1,247,989
ACCUMULATED DEPRECIATION:				
Books	272,740	87,865	47,215	313,390
Machinery and equipment	352,107	67,938	-	420,045
Leasehold improvements	23,814	6,781	-	30,595
Total accumulated depreciation	648,661	162,584	47,215	764,030
Net capital assets	<u>\$ 503,555</u>	<u>\$ (19,596)</u>	<u>\$ -</u>	<u>\$ 483,959</u>

Depreciation expense was charged to cultural activities of the Library in the amount of \$162,584.

BRANCH DISTRICT LIBRARY

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE E – LONG-TERM DEBT

	<u>Balance January 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2020</u>
Governmental Activities:				
Compensated Absences	\$ 34,200	\$ 100	\$ -	\$ 34,300

Interest expense for the year ended December 31, 2020 was \$0 for Government-type Activities.

NOTE F – RESTRICTED FUND BALANCE

The detail of the restricted fund balances presented in Governmental Funds are as follows:

Restricted:

Special Revenue Trust Fund:

R. Fisher Memorial	\$ 6,152
G. Barnett Memorial	7,320
A. Barnett Memorial	41,082
Union City facilities	19,999
D. Shamuluas Memorial	51,625
K. Uhle Memorial	27
J. Morton Memorial	29,841

Total Special Revenue Trust Fund restricted fund balance	156,046
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Permanent Trust Fund:

M. Semmelroth Memorial	50,000
E. Dallen Memorial	2,000
K. Uhle Memorial	5,000
G. Barnett Memorial	90,134

Total Permanent Trust Fund restricted fund balance	147,134
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Total restricted fund balance	<u>\$ 303,180</u>
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BRANCH DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE G – TAXES

The Library's property taxes are levied each December 1. Taxes are collected by the local governmental units within Branch County and are remitted to County of Branch, which in turn remits them to the Library.

The 2020 tax rate was 1.105 mills.

Personal property taxes are accounted for as revenue as received, therefore, no provision for uncollectible personal property taxes has been made in these financial statements.

NOTE H – LEASE AGREEMENT

The Library leases its facilities from the City of Coldwater. The initial term of the lease is for twenty-five years, with rent in the amount of \$1 per year.

NOTE I – DEFERRED COMPENSATION PLANS

The Library offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all Library employees, permits them to defer a portion of their salary until future years. The deferred compensation is generally not available to the employees until termination, retirement, death or unforeseeable emergency.

The Library funds all amounts of compensation deferred under the plan, at the direction of the covered employee, through investments approved by the plan's committee.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are, held in trust for the exclusive benefit of the participating employees and are not assessable by the Library or its creditors.

The Library has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

The Library has established Money Purchase Plan for the Library Director and Assistant Director. The plan calls for contributions on the Director's behalf and contains no requirements for matching contributions from the participants. The Library contribution for the year ended December 31, 2020 amounted to \$3,500 and is recorded in the General Fund.

BRANCH DISTRICT LIBRARY

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE J – RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries. The Library has purchased commercial insurance for the coverage of the above discussed events.

BRANCH DISTRICT LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
REVENUES			
Taxes	\$ 1,679,448	\$ 1,679,448	\$ 1,684,769
State aid	34,474	34,474	37,552
Interest earned	8,000	8,000	24,936
Penal fines	200,000	200,000	152,464
Charges for services	15,000	15,000	9,132
Reimbursements	30,900	30,900	24,586
Other revenue	5,000	5,000	3,708
Total revenues	1,972,822	1,972,822	1,937,147
EXPENDITURES			
Cultural	2,157,784	2,157,784	1,819,130
Excess (deficiency) of revenues over expenditures	(184,962)	(184,962)	118,017
OTHER SOURCES (USES)			
Transfers from (to) other funds	496,000	496,000	458,533
Excess (deficiency) of revenues over expenditures	311,038	311,038	576,550
FUND BALANCE - BEGINNING	<u>752,776</u>	<u>752,776</u>	<u>939,353</u>
FUND BALANCE - ENDING	<u><u>\$ 1,063,814</u></u>	<u><u>\$ 1,063,814</u></u>	<u><u>\$ 1,515,903</u></u>

BRANCH DISTRICT LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION
SPECIAL REVENUE TRUST FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
REVENUES			
Interest earned	\$ 1,500	\$ 1,500	\$ 1,456
Donations	25,000	25,000	80,359
Total revenues	26,500	26,500	81,815
EXPENDITURES			
Cultural	-	-	51
Excess of revenues over expenditures	26,500	26,500	81,764
OTHER SOURCES AND (USES)			
Transfers from (to) other funds	(57,000)	(57,000)	(24,841)
Excess (deficiency) of revenues over expenditures and other uses	(30,500)	(30,500)	56,923
FUND BALANCE - BEGINNING	282,068	282,068	284,535
FUND BALANCE - ENDING	<u>\$ 251,568</u>	<u>\$ 308,568</u>	<u>\$ 341,458</u>

BRANCH DISTRICT LIBRARY

**OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
STATEMENT OF EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2020**

CULTURAL	Budget	Actual	Over (Under) Budget
Salaries	\$ 1,042,168	\$ 956,327	\$ (85,841)
Payroll taxes	83,373	73,205	(10,168)
Other benefits	11,000	5,799	(5,201)
Health insurance	181,343	183,339	1,996
Unemployment	17,000	15,627	(1,373)
Training and travel	24,000	10,149	(13,851)
Education reimbursement	5,000	-	(5,000)
Board per diem	4,200	1,625	(2,575)
Physical materials	119,000	108,030	(10,970)
Digital materials	41,500	31,709	(9,791)
Materials preparation	75,000	25,433	(49,567)
Programming	46,800	30,690	(16,110)
Rent	4,000	1,870	(2,130)
Utilities	57,000	49,453	(7,547)
Upkeep	144,000	54,445	(89,555)
Technology	113,000	112,695	(305)
Equipment maintenance	10,000	4,056	(5,944)
Office supplies	30,000	22,213	(7,787)
Consulting services	50,000	41,501	(8,499)
Licensing	45,000	38,730	(6,270)
Insurance	23,000	21,162	(1,838)
Memberships	30,000	24,684	(5,316)
Other expenditures	1,400	6,388	4,988
Total Cultural expenditures	<u>\$ 2,157,784</u>	<u>\$ 1,819,130</u>	<u>\$ (338,654)</u>



January 29, 2021

To the Members of the
Branch District Library
Branch County, Michigan

We have audited the financial statements of the governmental activities, each major fund and aggregate remaining information of the Branch District Library as of and for the year ended December 31, 2020. Professional standards require that we provide you with the following information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned and scope and timing of our audit. We have communicated such information. Professional standards also require that we communicate that we communicate to you the following information related to our audit.

Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Branch 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. We noted no transactions entered into by the Library during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statement was:

Estimates have been used in calculating the liability for employee compensated absences. The estimated liability is approximately \$34,300.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No misstatements were detected as a result of audit procedures to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, 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 January 29, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entities 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 and Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to retention as the District Library 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

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

In planning and performing our audit of the financial statements of the government activities, each major fund and aggregate remaining information of the Branch District Library as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered Branch 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 misstatements on a timely basis. A material weakness is a deficiency or a 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 in Branch District Library's internal control to be material weaknesses:

1. The Organization does not have control procedures in place or a member of management with sufficient skills to prepare financial statements in accordance with U.S. generally accepted accounting principles. As is common with smaller entities the Organization relies on its independent external auditors to assist in the preparation of the financial statements. Auditors by definition cannot be considered part of the Organization's internal controls. The Organization has evaluated the cost vs. benefit of preparing the financial statements and has determined it is in the best interest of the Organization to outsource this task to its external auditors.
2. Due to the size of staff the Branch District Library lacks adequate segregation of duties. We understand due to the size of needed staff, a proper segregation of duties may be impractical and the cost vs. benefit relationship may not justify the addition of accounting staff to accomplish the desired segregation. However, we do recognize the Library has implemented various procedures, to improve internal controls.

This communication is intended solely for the information and use of management, Members of the Branch District 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.

Taylor, Plant & Watkins, P.C.

TAYLOR, PLANT & WATKINS, P.C.