

PONTIAC PUBLIC LIBRARY  
PONTIAC, MICHIGAN

FINANCIAL STATEMENTS

WITH SUPPLEMENTAL INFORMATION

JUNE 30, 2014

PONTIAC PUBLIC LIBRARY  
FINANCIAL STATEMENTS  
JUNE 30, 2014

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**GREGORY  
TERRELL  
& COMPANY**

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees,  
Pontiac Public Library

We have audited the accompanying financial statements of the governmental activities and major fund, of the Pontiac Public Library (the "Library"), as of and for the year ended June 30, 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

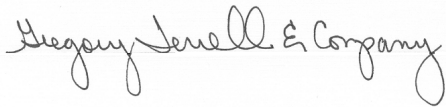
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Library as of June 30, 2014, 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.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–6 and 19-21 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.

A handwritten signature in cursive script that reads "Gregory Terrell & Company".

**GREGORY TERRELL & COMPANY**  
Certified Public Accountants

January 28 2015

PONTIAC PUBLIC LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2014

**Financial Reporting**

The Pontiac Public Library (the "Library") has continued to revise and improve its financial report document as a result of standards set by the Governmental Accounting Standards Board (GASB). The intent of these standards is to provide citizens, taxpayers, and library users with a better understanding of how the Library's money and other assets are managed.

The standards set by GASB are intended to give the reader of this annual financial report a better understanding of the financial status of the Library by introducing accounting rules and systems that are common in the private sector. This report represents a broad picture of the Library's financial status. Through the comprehensive reporting of assets and liabilities, the reader should have a greater understanding of the Library's financial health.

The Library management's discussion and analysis of financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the Library's financial statements which immediately follow this section.

**Financial Highlights**

As discussed in further detail in this section, the following represents the most significant highlights for the year ended June 30, 2014:

- The assets of the Library exceeded its liabilities at the end of the most recent fiscal year by \$1,828,122 (net position) at the governmental-wide level.
- The Library's total net assets increased \$54,681 as a result of current year activity at the government-wide level.
- At the close of the fiscal year, the Library's general fund reported a fund balance of \$1,628,433.

**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 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 so that it can measure the cost of providing services during the current.

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 general fund.

PONTIAC PUBLIC LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2014

**The Library as a Whole**

The following table shows, in a condensed format, the net position as of June 30, 2014, and 2013:

	<b><u>Governmental Activities</u></b>	
	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Current and other Assets	\$ 1,651,308	\$ 1,635,224
Capital Assets	189,732	197,538
Total Assets	<u>1,841,040</u>	<u>1,832,762</u>
<b>Liabilities</b>		
Current Liabilities	<u>12,918</u>	<u>59,321</u>
Total Liabilities	12,918	59,321
<b>Net Position</b>		
Invested in Capital Assets -		
Net of Related Debt	189,732	197,538
Unrestricted	<u>1,638,390</u>	<u>1,575,903</u>
Total Net Position	<u><u>\$ 1,828,122</u></u>	<u><u>\$ 1,773,441</u></u>

The Library's total net position was \$1,828,122 and \$1,773,441 for the year ended June 30, 2014 and 2013, an increase of \$54,681. Unrestricted net position (the part of net position that can be used to finance day-to-day operations) was \$1,638,390 and \$1,575,903 for the year ended June 30, 2014 and 2013, an increase of \$62,487. The invested in capital assets were \$189,732 and \$197,538 for year end June 30, 2014 and 2013, a decrease of \$7,806.

PONTIAC PUBLIC LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2014

The following table shows the change in the net position during the years ended June 30, 2014 and 2013:

	<b>Governmental Activities</b>	
	2014	2013
<b>Revenue</b>		
Program Revenue:		
Charges for Services	\$ 23,084	\$ 19,557
Operating Grants and Contributions	-	2,000
General Revenue:		
Property Taxes	601,523	562,827
Intergovernmental	124,506	111,345
Other	45,767	13,470
Total Revenue	794,880	709,199
<b>Program Expenses</b>		
Library Services/ Recreation and Culture	740,199	637,738
Total Program Expenses	740,199	637,738
<b>Change in Net Position</b>	<b>\$ 54,681</b>	<b>\$ 71,461</b>

**Governmental Activities**

The Library's governmental revenues totaled \$794,880 and \$709,199 for years end June 30, 2014 and 2013, an increase of \$85,681 primarily due to an increase in tax revenues during the fiscal year.

**The Library's Fund**

The analysis of the Library's major fund begins on page 9, as part of the basic financial statements. The Trustees of the Pontiac Public Library may create funds to help manage money for specific purposes as well as show accountability for certain activities.

The Library maintains one governmental fund, out of which \$1,000,000 of fund balance is assigned for future building and capital improvement needs. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and change in fund balance for the Library's major fund. The General Fund is the sole major fund for the fiscal year ended June 30, 2014, for financial reporting purposes as defined by GASB Statement No. 34.

The Library incurred \$732,393 in expenditures for fiscal year 2014 to operate the Library. Revenue totaled \$795,024. The net change in fund balance for the Library for June 30, 2014 was an increase of \$62,631 (expenditures over revenues) creating a fund balance of \$1,628,433.

PONTIAC PUBLIC LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2014

**Budgetary Highlights**

The Library Board of Trustees amended the budget throughout the year. Actual expenditures were \$10,097 more than the final budgeted amount and actual revenues were \$123,549 more than the final budget.

**Capital Assets**

The Library's investment in capital assets continued with the making of purchases only when necessary. The Library purchased new books of \$38,985 and building improvements of \$12,119.

**Economic Factors and Next Year's Budgets and Rates**

Tax revenues are estimated to continue to decline as the property values continue to decrease. The current tax rate of 1.0000 mills will remain the same for fiscal year 2014. State aid and penal fines are anticipated to continue to increase as reflected in our 2014-2015 budget.

**Contacting the Library's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Library's management office at (248)758-3942 or at 60 E. Pike, Pontiac, MI 48342.



PONTIAC PUBLIC LIBRARY  
STATEMENT OF NET POSITION  
JUNE 30, 2014

	<u>Primary Government</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 1,516,846
Due from other Governmental Units	134,462
Capital Assets (Note 3):	
Assets Subject to Depreciation	189,732
Total Assets	<u>\$ 1,841,040</u>
<b>Liabilities</b>	
Accounts Payable	\$ 5,514
Accrued Liabilities	7,404
Total Liabilities	<u>\$ 12,918</u>
<b>Net Position</b>	
Invested in Capital Assets -	
Net of Related Debt	\$ 189,732
Unrestricted	1,638,390
Total Net Position	<u><u>\$ 1,828,122</u></u>

The accompanying notes are an integral part of this financial statement.

PONTIAC PUBLIC LIBRARY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Primary Government</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Primary Government:</b>				
Governmental Activities				
Recreation and Culture	\$ 740,199	\$ 23,084	\$ -	\$ (717,115)
Total Governmental Activities	\$ 740,199	\$ 23,084	\$ -	\$ (717,115)
<b>General Revenues:</b>				
Property Taxes				\$ 601,523
State Aid				35,078
Penal Fines				89,428
Other Miscellaneous Income				45,767
Total General Revenues				\$ 771,796
Change In Net Position				\$ 54,681
<b>Net Position, Beginning of Year</b>				<b>1,773,441</b>
<b>Net Position, End of Year</b>				<b>\$ 1,828,122</b>

The accompanying notes are an integral part of this financial statement.

PONTIAC PUBLIC LIBRARY  
BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2014

<b>ASSETS</b>	<b><u>General Fund</u></b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 1,516,846
Due from other Governmental Units	124,505
	124,505
Total Assets	\$ 1,641,351
<b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts Payable	\$ 5,514
Accrued Liabilities	7,404
	7,404
Total Liabilities	\$ 12,918
<b>Fund Balance</b>	
Assigned	\$ 1,000,000
Unassigned	628,433
	628,433
<b>Total Fund Balance</b>	\$ 1,628,433
<b>Total Liabilities and Fund Balance</b>	\$ 1,641,351

The accompanying notes are an integral part of this financial statement.

PONTIAC PUBLIC LIBRARY  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET  
POSITION GOVERNMENTAL FUND  
JUNE 30, 2014

**Fund Balance reported in Governmental Fund** \$ 1,628,433

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital Assets used in Governmental Activities are not Financial Resources and are not reported in the funds

The cost of capital assets	426,736
Accumulated depreciation	(237,004)

Certain receivables are not owed and receivable in the current period, and therefore are not recorded in the funds.

9,957

**Net Position of Governmental Activities** \$ 1,828,122

The accompanying notes are an integral part of this financial statement.

PONTIAC PUBLIC LIBRARY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN  
FUND BALANCE  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>
<b>REVENUES:</b>	
Property Taxes	\$ 601,523
Intergovernmental	134,607
Fines and Forfeitures	23,084
Other Revenue	35,810
Total Revenues	<u>\$ 795,024</u>
<b>EXPENDITURES:</b>	
Current:	
Salaries and Wages	\$ 232,191
Fringe Benefits	55,843
Utilities	61,219
Supplies	20,984
Postage and Printing	19,028
Insurance	11,969
Contracted Services	129,707
Membership and Dues	90,253
Administrative Fees	4,571
Repairs and Maintenance	49,131
Advertising and Promotion	919
Miscellaneous	3,823
Total General Government	<u>\$ 679,638</u>
Capital Outlay	
Books and Other Materials	\$ 38,985
Building, Furniture and Equipment	13,770
Total Capital Outlay	<u>\$ 52,755</u>
Total Expenditures	<u>\$ 732,393</u>
Excess of Revenues over Expenditures	<u>\$ 62,631</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 62,631</b>
Fund Balance - Beginning of Year	<u>1,565,802</u>
Fund Balance - End of Year	<u><u>\$ 1,628,433</u></u>

The accompanying notes are an integral part of this financial statement.

PONTIAC PUBLIC LIBRARY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCE OF GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

<b>Net change in Fund Balance - Total Governmental Fund</b>	\$	62,631
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Fund report Capital Outlays as Expenditures; however, in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation:

Capital Outlay		51,104
Depreciation Expense		(58,910)

Revenue is recorded in the Statement of Activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end		(144)
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<b>Change in Net Position of Governmental Activities</b>	\$	<u>54,681</u>
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The accompanying notes are an integral part of this financial statement.

PONTIAC PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

(1) **NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

The Pontiac Public Library (the "Library") is located in the City of Pontiac, Michigan. The Library is funded primarily through a tax levy, fines, and fees. Revenue is used to operate and staff the Library.

The accounting policies of the Library conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by the Library:

**Reporting Entity**

The Library is governed by a six-member elected board. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on these criteria, there are no component units of the Library that are to be included in the reporting entity.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. The Library has only one fund, the General Fund.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

The General 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 revenue to be available if it is collected within 60 days of the end of the current fiscal period. Property taxes, state penal fines, and state aid meet the availability criteria.

PONTIAC PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)

(1) **NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy to spend funds in this order: committed, assigned, and unassigned.

**Property Tax Revenue**

The City of Pontiac levies and collects property taxes on behalf of the Library. The Library follows the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Fines, contributions, and certain miscellaneous revenue are recorded when received.
- The Library's property tax is levied each December 1 of the fiscal year to be used to finance the following year's operations. At March 1 each year, the City settles their delinquent taxes with the County Treasurer and the unpaid real property tax is remitted to the Library.
- For the year ended June 30, 2014, the Library levied 1.0000 mill. The 2013 taxable valuation of the Library totaled \$663,973,880.

**Assets, Liabilities, and Net Position**

**Bank Deposits 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 fair value, based on quoted market prices.

**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. There is no liability for unpaid accumulated sick leave since the Library does not have a policy to pay any amounts when employees separate from service with the Library.



PONTIAC PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)

(1) **NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

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

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Building Improvements	15 years
Equipment	5 to 7 years
Furniture and Fixtures	7 to 15 years
Library Books	5 years

**Fund Equity** - In the fund financial statements, governmental funds report the following components of fund balance:

**Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact.

**Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.

**Committed:** Amounts that have been formally set-aside by the Board of Trustees for use for specific purposes. Commitments are made and can be rescinded only via resolution of the governing body.

**Assigned:** Intent to spend resources on specific purposes expressed by the governing body or individual who is authorized by resolution and approved by the governing body to make assignments.

**Unassigned:** Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

PONTIAC PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)

(1) **NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

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

**Budget Information** – The annual budget is prepared by the Library director during April for the next fiscal year. The budget is presented to the Library board in June for adoption. Subsequent amendments are approved by the Library board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted for the Library's activity in total; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget is included in the required supplemental information section.

(2) **DEPOSIT AND INVESTMENTS**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes Library's 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 law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreement; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library has designated one bank for the deposit of its funds. The Library's deposits are in accordance with statutory authority.

**PONTIAC PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
(Continued)

(2) **DEPOSIT AND INVESTMENTS (Cont'd)**

**Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it.

The Library does not have a deposit policy for custodial credit risk. At year end, the Library had \$1,560,697 of bank deposits (certifications of deposit, checking, and savings accounts), of which \$1,310,697 was uninsured or uncollateralized.

(3) **CAPITAL ASSETS**

Capital asset activity of the Library is as follows for year ended June 30, 2014:

	<b>Balance 7/1/2013</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance 6/30/2014</b>
<b>Governmental Activities</b>				
Capital Assets being depreciated:				
Buildings & Improvements	\$ 52,368	\$ 12,119	\$ -	\$ 64,487
Equipment	15,713	-	-	15,713
Furniture and Fixtures	15,440	-	-	15,440
Library Books	292,111	38,985	-	331,096
Subtotal	375,632	51,104	-	426,736
Accumulated Depreciation:				
Buildings & Improvements	2,079	4,299	-	6,378
Equipment	7,878	2,124	-	10,002
Furniture and Fixtures	5,006	1,645	-	6,651
Library Books	163,131	50,842	-	213,973
Subtotal	178,094	58,910	-	237,004
Net Capital Assets	<u>\$ 197,538</u>	<u>\$ (7,806)</u>	<u>\$ -</u>	<u>\$ 189,732</u>

PONTIAC PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)

(4) **RISK MANAGEMENT**

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees.

The Library participates in the Michigan Municipal League risk pool for employee injuries (workers' compensation) and is partially uninsured for medical benefit claims. There were no claims during the year ended June 30, 2014.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

(5) **SUBSEQUENT EVENTS**

On September 15, 2014, the Library entered into an Agreement with Leasource Financial Services for a note in the amount of \$124,250. The Note requires 60 monthly principal and interest payments as follows:

<b>Date</b>	<b>Amount</b>
2015	\$ 21,015
2016	28,020
2017	28,020
2018	28,020
2019	28,020
Thereafter	7,005
	140,100
Interest	(15,850)
Total	\$ 124,250

Subsequent events have been evaluated through January 28, 2015, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

**REQUIRED SUPPLEMENTAL INFORMATION**

**PONTIAC PUBLIC LIBRARY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance Positive/(Negative) Final Budget</u>
<b>REVENUES:</b>				
Property taxes	\$ 547,318	\$ 547,318	\$ 601,523	\$ 54,205
Intergovernmental	110,000	110,000	134,607	24,607
Fines and forfeitures	12,997	12,997	23,084	10,087
Other revenue	1,160	1,160	35,810	34,650
Total Revenues	<u>\$ 671,475</u>	<u>\$ 671,475</u>	<u>\$ 795,024</u>	<u>\$ 123,549</u>
<b>EXPENDITURES:</b>				
Current:				
General Government:				
Salaries and Wages	\$ 250,000	\$ 250,000	\$ 232,191	\$ 17,809
Fringe Benefits	50,894	50,894	55,843	(4,949)
Utilities	63,600	63,600	61,219	2,381
Supplies	14,147	17,947	20,984	(3,037)
Postage and Printing	20,500	20,500	19,028	1,472
Insurance	11,000	11,000	11,969	(969)
Contracted Services	117,491	117,891	129,707	(11,816)
Membership and Dues	70,308	70,884	90,253	(19,369)
Administrative Fees	1,110	12,110	4,571	7,539
Repairs and Maintenance	52,170	52,170	49,131	3,039
Advertising and Promotion	3,400	3,400	919	2,481
Miscellaneous	1,900	1,900	3,823	(1,923)
Total General Government	<u>\$ 656,520</u>	<u>\$ 672,296</u>	<u>\$ 679,638</u>	<u>\$ (7,342)</u>
Capital Outlay				
Books and Other Materials	\$ 50,000	\$ 50,000	\$ 38,985	\$ 11,015
Building, Furniture and Equipment	-	-	13,770	(13,770)
Total Capital Outlay	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 52,755</u>	<u>\$ (2,755)</u>
Total Expenditures	<u>\$ 706,520</u>	<u>\$ 722,296</u>	<u>\$ 732,393</u>	<u>\$ (10,097)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ (35,045)</u>	<u>\$ (50,821)</u>	<u>\$ 62,631</u>	<u>\$ 113,452</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (35,045)</u>	<u>\$ (50,821)</u>	<u>\$ 62,631</u>	<u>\$ 113,452</u>
Beginning of year	1,565,802	1,565,802	1,565,802	-
End of year	<u>\$ 1,530,757</u>	<u>\$ 1,514,981</u>	<u>\$ 1,628,433</u>	<u>\$ 113,452</u>

PONTIAC PUBLIC LIBRARY  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
JUNE 30, 2014

**NOTE – BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all special revenue funds except that operating transfers out have been included in the “expenditure” category instead of “other financing uses” and reimbursements have been included in the “revenue” category, rather than as a reduction to expenditures. All annual appropriations lapse at the fiscal year end. The annual budget is prepared by the Library’s management and adopted by the Board of Trustees; subsequent amendments are approved by the Board of Trustees.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the fund level, except for the General Fund, for which it adopts budgeted expenditures on an activity basis. This then represents the level of classification detail at which expenditures may not legally exceed appropriations. Expenditures at this level in excess of amounts budgeted are in violation of Michigan law. The level of detail presented in the required supplemental information for the General Fund is on the budget basis. Copies of the budget for all budgeted funds are available at the management office of the Library.

The budget process is initiated in April, when the Library’s estimates the revenue and calculates salary and fringe benefit information, as well as estimates operating costs for the year and any critical needs are identified and incorporated into the new budget. The budget is submitted to the Board of Trustees in June. After a public hearing, the final budget is adopted by a resolution no later than June 30 of each year.

PONTIAC PUBLIC LIBRARY  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
JUNE 30, 2014  
(Continued)

**NOTE – BUDGETARY INFORMATION (Cont'd)**

**Excess of Expenditures Over Appropriations in Budgeted Funds** – During the year, the Pontiac Public Library incurred general governmental expenditures within the General Fund that were in excess of the amounts budgeted, as follows:

	<u>Actual Budget</u>	<u>Actual</u>	<u>Variance</u>
Fringe Benefits	50,894	55,843	\$ (4,949)
Supplies	17,947	20,984	(3,037)
Insurance	11,000	11,969	(969)
Contracted Services	117,891	129,707	(11,816)
Membership and Dues	70,884	90,253	(19,369)
Miscellaneous	1,900	3,823	(1,923)

The variances are related to minor unanticipated operating costs that were invoiced after the final budget arrangement.





**GREGORY  
TERRELL  
& COMPANY**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS**

To the Board of Trustees  
of Pontiac Public Library

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pontiac Public Library, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Pontiac Public Library's basic financial statements, and have issued our report thereon dated January 28, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Pontiac Public Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pontiac Public Library's internal control. Accordingly, we do not express an opinion on the effectiveness of Pontiac Public Library's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 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 did not note any deficiencies in the Library's internal control to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pontiac Public Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below.

### **POLICIES AND PROCEDURES\***

The Library has formally adopted written accounting procedures and policies for credit cards, wire transfers, and purchasing but not policies and procedures relative to all financial functions and processes, including, but not limited to cash receipts, cash disbursements for payroll and vendors, personnel (hiring, payroll, and related changes) and month-end and year-end closing procedures.

We recommend the Library document specific accounting policies and procedures to convey a clear understanding of management's expectations. In addition, we recommend that the Library formally adopt and implement the following written policies and procedures: Investment Policy, Capitalization Policy, Business Continuity Plan, Conflict of Interest Policy, and New Hire Procedures.

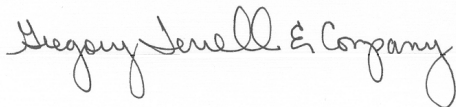
### **REPORTING\***

Under Michigan State law, the deadline for submission of the annual audited financial statements is December 31 and the audit of the Library was not completed timely.

We recommend the Library have their books closed by August 31<sup>st</sup> of each year to ensure the audit firm has sufficient time to complete the audit in accordance with the State mandated deadline.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gregory Terrell & Company". The signature is written in black ink on a white background.

**GREGORY TERRELL & COMPANY**  
Certified Public Accountants

January 28, 2015

**\*Repeat Findings**