

PONTIAC PUBLIC LIBRARY
PONTIAC, MICHIGAN

FINANCIAL STATEMENTS

WITH SUPPLEMENTAL INFORMATION

JUNE 30, 2015

PONTIAC PUBLIC LIBRARY
FINANCIAL STATEMENTS
JUNE 30, 2015

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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, 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 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, 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.

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 20-22 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.



GREGORY TERRELL & COMPANY
Certified Public Accountants

December 29, 2015

PONTIAC PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2015

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, 2015. 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, 2015:

- The assets of the Library exceeded its liabilities at the end of the most recent fiscal year by \$1,739,529 (net position) at the governmental-wide level.
- The Library's total net assets decreased \$88,593 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 \$1,389,867.

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 year, and whether the taxpayers have funded the full cost of providing government services.

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, 2015

The Library as a Whole

The following table shows, in a condensed format, the net position as of June 30, 2015, and 2014:

	<u>Governmental Activities</u>	
	2015	2014
Assets		
Current and other Assets	\$ 1,413,626	\$ 1,651,308
Capital Assets	446,789	189,732
Total Assets	1,860,415	1,841,040
Liabilities		
Current Liabilities	41,834	12,918
Long-term Liabilities	79,052	-
Total Liabilities	120,886	12,918
Net Position		
Invested in Capital Assets -		
Net of Related Debt	339,705	189,732
Unrestricted	1,399,824	1,638,390
Total Net Position	\$ 1,739,529	\$ 1,828,122

The Library's total net position was \$1,739,529 and \$1,828,122 for the years ended June 30, 2015 and 2014, a decrease of \$88,593. Unrestricted net position (the part of net position that can be used to finance day-to-day operations) was \$1,399,824 and \$1,638,390 for the years ended June 30, 2015 and 2014, a decrease of \$238,566. The invested in capital assets were \$339,705 and \$189,732 for years ended June 30, 2015 and 2014, an increase of \$257,057.

The Library issued new debt during the year for the purchase of invested capital and will make scheduled debt service payments on the debt issue.

PONTIAC PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2015

The following table shows the change in the net position during the years ended June 30, 2015 and 2014:

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Revenue		
Program Revenue:		
Charges for Services	\$ 23,541	\$ 23,084
General Revenue:		
Property Taxes	591,831	601,523
Intergovernmental	170,588	124,506
Other	19,898	45,767
Total Revenue	<u>805,858</u>	<u>794,880</u>
Program Expenses		
Library Services/ Recreation and Culture	894,451	740,199
Total Program Expenses	<u>894,451</u>	<u>740,199</u>
Change in Net Position	<u>\$ (88,593)</u>	<u>\$ 54,681</u>

Governmental Activities

The Library's governmental revenues totaled \$805,858 and \$794,880 for years end June 30, 2015 and 2014, an increase of \$10,978.

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, 2015, for financial reporting purposes as defined by GASB Statement No. 34.

The Library incurred \$1,168,674 in expenditures for fiscal year 2015 to operate the Library. Revenues totaled \$805,858. The net change in fund balances for the Library for June 30, 2015 was a decrease of \$238,566 (expenditures over revenues and other financing sources) creating a fund balance of \$1,389,867.

PONTIAC PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2015

Budgetary Highlights

The Library Board of Trustees amended the budget throughout the year. Actual expenditures were \$128,983 more than the final budgeted amount and actual revenues were \$23,884 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 \$55,198 and building improvements of \$236,064.

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 2015. State aid and penal fines are anticipated to continue to increase as reflected in our 2015-2016 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, 2015

	<u>Primary Government</u>
Assets	
Cash and Cash Equivalents	\$ 1,182,779
Due from Other Governmental Units	230,847
Capital Assets (Note 3):	
Assets Subject to Depreciation	446,789
Total Assets	<u>\$ 1,860,415</u>
Liabilities	
Accounts Payable	\$ 2,117
Accrued Liabilities	11,685
Portion of Non current Liabilities Due within One Year - (Note 5)	28,032
Non current Liabilities - Due in more than One Year - (Note 5)	79,052
Total Liabilities	<u>\$ 120,886</u>
Net Position	
Invested in Capital Assets - Net of Related Debt	\$ 339,705
Unrestricted	1,399,824
Total Net Position	<u>\$ 1,739,529</u>

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

**PONTIAC PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Program Revenue			
Expenses	Charges for Services	Operating Grants and Contributions	Primary Government	
Primary Government:				
Governmental Activities				
Recreation and Culture	\$ 894,451	\$ 23,541	\$ -	\$ (870,910)
Total Governmental Activities	\$ 894,451	\$ 23,541	\$ -	\$ (870,910)
General Revenues:				
Property Taxes			\$ 591,831	
State Aid			50,331	
Penal Fines			120,257	
Other Miscellaneous Income			19,898	
Total General Revenues			\$ 782,317	
Change In Net Position			\$ (88,593)	
Net Position - Beginning of Year			1,828,122	
Net Position - End of Year			\$ 1,739,529	

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

PONTIAC PUBLIC LIBRARY
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2015

ASSETS

	<u>General Fund</u>
Assets	
Cash and Cash Equivalents	\$ 1,182,779
Due from Other Governmental Units	230,847
	\$ 1,413,626
Total Assets	\$ 1,413,626

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE

Liabilities	
Accounts Payable	\$ 2,117
Accrued Liabilities	11,685
	\$ 13,802
Total Liabilities	\$ 13,802
 Deferred Inflows of Resources -	
Unavailable Revenue	\$ 9,957
	\$ 9,957
 Fund Balance	
Assigned	\$ 1,000,000
Unassigned	389,867
	\$ 1,389,867
Total Fund Balance	\$ 1,389,867
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 1,413,626

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, 2015

Fund Balance reported in Governmental Fund \$ 1,389,867

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	717,998
Accumulated Depreciation	(271,209)

Grants and Other Receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the Fund financial statements	9,957
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Notes Payable are not due and payable in the current period and are not reported in the Fund financial statements	(107,084)
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Net Position of Governmental Activities \$ 1,739,529

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, 2015

	<u>General Fund</u>
REVENUES:	
Property Taxes	\$ 591,831
Intergovernmental	170,588
Fines and Forfeitures	23,541
Other Revenue	19,898
Total Revenues	<u>\$ 805,858</u>
EXPENDITURES:	
General Government	
Salaries and Wages	\$ 376,008
Fringe Benefits	85,934
Utilities	45,672
Supplies	56,755
Postage and Printing	22,772
Insurance	12,316
Contracted Services	154,498
Membership and Dues	66,318
Administrative Fees	9,741
Repairs and Maintenance	22,777
Advertising and Promotion	1,200
Miscellaneous	5,466
Total General Government	<u>\$ 859,457</u>
Capital Outlay	
Books and Other Materials	\$ 55,198
Building, Furniture and Equipment	233,002
Total Capital Outlay	<u>\$ 288,200</u>
Debt Service	<u>\$ 21,017</u>
Total Expenditures	<u>\$ 1,168,674</u>
OTHER FINANCING SOURCES	
Proceeds from Debt	<u>\$ 124,250</u>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures	\$ (238,566)
Fund Balance - Beginning of year	<u>1,628,433</u>
Fund Balance - End of year	<u><u>\$ 1,389,867</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, 2015

Net change in Fund Balance - Total Governmental Fund \$ (238,566)

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

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

Capital Outlay	291,262
Depreciation Expense	(34,205)

Debt proceeds are reported as other financing sources in the Fund financial statements but not in the Government-wide financial statements	(124,250)
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Repayment of debt principal is an expenditure in the Fund financial statements, but not in the Government-wide financial statements	17,166
	<hr/>

Change in Net Position of Governmental Activities \$ (88,593)

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

PONTIAC PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(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, 2015
(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, 2015, the Library levied 1.0000 mill. The 2014 taxable valuation of the Library totaled \$653,973,880.

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, 2015
(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, 2015
(Continued)

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

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.

Deferred Outflow and Inflow of Resources – Deferred Outflow of Resources is defined as the consumption or usage of net position applicable to a future reporting period. These types of resources are similar to assets and have a positive effect on the Statement of Net Position. Deferred Inflow of Resources is defined as the acquisition of net position applicable to a future reporting period. These types of resources are similar to liabilities and have a negative effect on the Statement of Net Position.

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.

PONTIAC PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

(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.

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 \$1,220,329 of bank deposits (certifications of deposit, checking, and savings accounts), of which \$970,329 was uninsured or uncollateralized.

PONTIAC PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

(3) **CAPITAL ASSETS**

Capital asset activity of the Library is as follows for year ended June 30, 2015:

	<u>Balance</u> <u>7/1/2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/2015</u>
Governmental Activities				
Capital Assets being depreciated:				
Buildings & Improvements	\$ 64,487	\$ 194,425	\$ -	\$ 258,912
Equipment	15,713	-	-	15,713
Furniture and Fixtures	15,440	41,639	-	57,079
Library Books	331,096	55,198	-	386,294
Subtotal	426,736	291,262	-	717,998
Accumulated Depreciation:				
Buildings & Improvements	6,378	10,190	-	16,568
Equipment	10,002	1,956	-	11,958
Furniture and Fixtures	6,651	2,960	-	9,611
Library Books	213,973	19,099	-	233,072
Subtotal	237,004	34,205	-	271,209
Net Capital Assets	<u>\$ 189,732</u>	<u>\$ 257,057</u>	<u>\$ -</u>	<u>\$ 446,789</u>

(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, 2015.

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.

PONTIAC PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

(5) **LONG TERM DEBT**

The Pontiac Public 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:

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 23,191	\$ 4,832	\$ 28,023
2017	24,379	3,644	28,023
2018	25,629	2,394	28,023
2019	26,939	1,084	28,023
2020	6,946	59	7,005
Total	<u>\$ 107,084</u>	<u>\$ 12,013</u>	<u>\$ 119,097</u>

(6) **UNAVAILABLE REVENUE**

At June 30, 2015, the Library received governmental funds prior to meeting all eligibility requirements. Governmental funds are reported as unavailable revenue when receivables are considered to be unavailable to liquidate liabilities of the current period. Government funds are unearned when resources have been received but not yet earned.

	<u>Deferred Inflow - Unavailable</u>	<u>Unearned</u>
Grants and aid payments received prior to meeting all eligibility requirements:	<u>\$ 9,957</u>	<u>\$ -</u>

(7) **SUBSEQUENT EVENTS**

Subsequent events have been evaluated through December 29, 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, 2015

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance Positive/(Negative) Final Budget</u>
REVENUES:				
Property Taxes	\$ 663,974	\$ 663,974	\$ 591,831	\$ (72,143)
Intergovernmental	35,077	28,000	170,588	142,588
Fines and Forfeitures	89,427	85,000	23,541	(61,459)
Other Revenue	155,000	5,000	19,898	14,898
Total Revenues	<u>\$ 943,478</u>	<u>\$ 781,974</u>	<u>\$ 805,858</u>	<u>\$ 23,884</u>
EXPENDITURES:				
General Government:				
Salaries and Wages	\$ 375,000	\$ 375,000	\$ 376,008	\$ (1,008)
Fringe Benefits	75,905	75,905	85,934	(10,029)
Utilities	63,500	63,500	45,672	17,828
Supplies	23,500	49,702	56,755	(7,053)
Postage and Printing	21,000	21,000	22,772	(1,772)
Insurance	12,000	12,000	12,316	(316)
Contracted Services	156,375	167,245	154,498	12,747
Membership and Dues	71,000	74,450	66,318	8,132
Administrative Fees	13,000	13,000	9,741	3,259
Repairs and Maintenance	35,170	35,170	22,777	12,393
Advertising and Promotion	3,400	3,400	1,200	2,200
Miscellaneous	2,000	2,000	5,466	(3,466)
Total General Government	<u>\$ 851,850</u>	<u>\$ 892,372</u>	<u>\$ 859,457</u>	<u>\$ 32,915</u>
Capital Outlay				
Books and Other Materials	\$ 60,000	\$ 60,000	\$ 55,198	\$ 4,802
Building, Furniture and Equipment	150,000	136,800	233,002	(96,202)
Total Capital Outlay	<u>\$ 210,000</u>	<u>\$ 196,800</u>	<u>\$ 288,200</u>	<u>\$ (91,400)</u>
Debt Service	<u>\$ 31,000</u>	<u>\$ 150,000</u>	<u>\$ 21,017</u>	<u>\$ 128,983</u>
Total Expenditures	<u>\$ 1,092,850</u>	<u>\$ 1,239,172</u>	<u>\$ 1,168,674</u>	<u>\$ 70,498</u>
OTHER FINANCING SOURCES				
Proceeds from Debt	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 124,250</u>	<u>\$ (25,750)</u>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures				
	\$ 628	\$ (307,198)	\$ (238,566)	\$ 68,632
Fund Balance - Beginning of year	1,628,433	1,628,433	1,628,433	-
Fund Balance - End of year	<u>\$ 1,629,061</u>	<u>\$ 1,321,235</u>	<u>\$ 1,389,867</u>	<u>\$ 68,632</u>

PONTIAC PUBLIC LIBRARY
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2015

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, 2015
(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>
Salaries and Wages	\$ 375,000	\$ 376,008	\$ (1,008)
Fringe Benefits	75,905	85,934	(10,029)
Supplies	49,702	56,755	(7,053)
Postage and Printing	21,000	22,772	(1,772)
Insurance	12,000	12,316	(316)
Miscellaneous	2,000	5,466	(3,466)
Building, Furniture and Equipment	136,800	233,002	(96,202)

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



**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, 2015 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 December 29, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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".

GREGORY TERRELL & COMPANY
Certified Public Accountants

December 29, 2015