



**FRASER PUBLIC LIBRARY
MACOMB COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

To the Library Board
Fraser Public Library

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Fraser Public Library, Michigan (the "Library"), as of and for the year ended June 30, 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 fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Library, as of June 30, 2020, and the respective changes in financial position 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, as listed 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.



Gabridge & Company PLC
Grand Rapids, MI
December 8, 2020

Management's Discussion and Analysis

Fraser Public Library
Management's Discussion and Analysis
June 30, 2020

As management of the Fraser Public Library (the "Library"), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

- The assets of the Library exceeded its liabilities at the close of this fiscal year by \$474,883 (shown as *net position*). Of this amount \$325,199 (*unrestricted net position*) may be used to meet the Library's ongoing services and obligations.
- During the year, the Library received \$623,410 in revenues and incurred \$527,715 in expenses, resulting in an increase in net position of \$95,695.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$316,343 or 53% of the general fund's total expenditures.

Overview of the Financial Statements

The Library's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide a broad overview of the Library's financial position. They are presented using a method of accounting that is similar to a private sector business.

The *statement of net position* presents information on all of the Library's assets and liabilities, with the difference being reported as the net position. Over time, increases or decreases in net position can serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The *statement of activities* presents information showing how the Library's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., capital asset activity).

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The Library uses fund accounting to ensure compliance with finance-related legal requirements.

Governmental Funds. The Library's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments, and certain other items are treated differently than on the government-wide statements. These items are recorded in the government fund balance as expenditures. No depreciation is recorded on capital items. The balance sheet for governmental funds does not include any capital items or long-term debt. The general fund is the only governmental fund for the Library.

The Library adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with its budget.

Notes to the Financial Statements. The notes to the financial statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report further presents required supplementary information (RSI) that demonstrates compliance with the Library's budget.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of overall financial position. In the case of the Library, assets exceeded liabilities by \$474,883 as of June 30, 2020. Following is a schedule showing the Library's components of net position as of the year ended June 30, 2020 and June 30, 2019:

Fraser Public Library's Net Position

ASSETS	2020	2019
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 324,850	\$ 320,887
Accounts Receivable	311	162
Due from Other Governments	13,699	15,620
Prepaid Items	8,856	-
Total Current Assets	347,716	336,669
<i>Noncurrent Assets</i>		
Capital Assets being Depreciated, net	149,684	83,666
Total Assets	497,400	420,335
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	6,264	7,303
Other Liabilities	3,204	17,801
Payroll Related Liabilities	13,049	10,634
Total Liabilities	22,517	35,738
NET POSITION		
Investment in Capital Assets	149,684	83,666
<i>Unrestricted</i>	325,199	295,522
Total Net Position	\$ 474,883	\$ 379,188

A large portion of the Library's net position (\$149,684 , or 32%) reflects its investment in capital assets (e.g., equipment, furniture, and library books). The Library uses these capital assets to provide a variety of services to its patrons. Accordingly, these assets are not available for future spending.

The remaining balance of net position (\$325,199 , or 68%) is unrestricted and may be used to meet the Library's ongoing obligations to its patrons and creditors.

Governmental Activities. In the year ended June 30, 2020, the Library’s major source of financing its operations was property taxes and penal fines. Following is a schedule showing the changes in net position of the Library for the years ended June 30, 2020 and June 30, 2019:

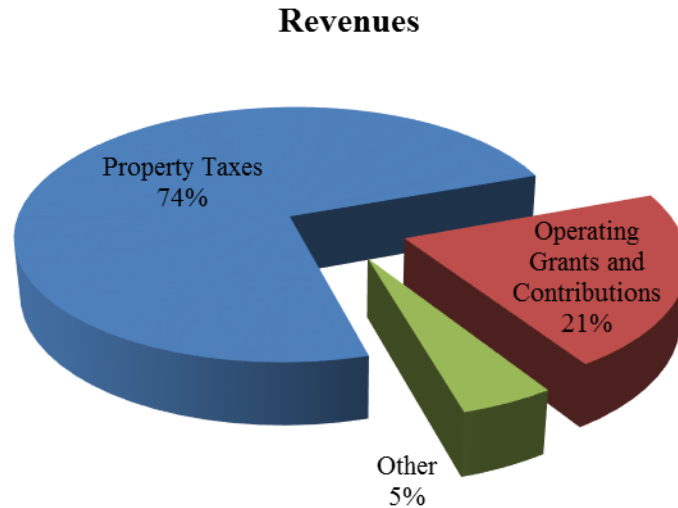
Fraser Public Library's Changes in Net Position

	2020	2019
Program Revenues		
Charges for Services	\$ 23,349	\$ 25,358
Operating Grants and Contributions	133,843	90,218
<i>Total Program Revenues</i>	157,192	115,576
General Revenues		
Property Taxes	460,518	451,290
Interest	5,700	6,935
<i>Total General Revenues</i>	466,218	458,225
Total Revenues	623,410	573,801
Expenses		
Recreation and Culture	527,715	465,198
Total Expenses	527,715	465,198
<i>Net Change in Net Position</i>	95,695	108,603
Net Position at Beginning of Period	379,188	270,585
<i>Net Position at End of Period</i>	\$ 474,883	\$ 379,188

Property taxes increased due to an increase in the taxable value of the remitting local units. Operating grants and contributions increased during the year as a result of receiving several donations during 2020. Finally, total expenses increased by \$62,517 during 2020. This increase is due to additional capital outlay and wage expenditures in 2020.

Governmental Activities

The following chart details the revenue sources for the governmental activities of the Library for the most recent fiscal year-end:



Salaries and payroll taxes were the largest expenses for the Library. The Library spent \$343,119 on salaries and payroll taxes, or 65% of the Library's total expenses. Other significant expenses for the Library were contracted services expense of \$63,987, which represented 12% of total expenses, and depreciation expense of \$30,122, which represented 6% of total expenses within the Library during the year ended June 30, 2020.

Financial Analysis of the Government's Funds

The Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

General Fund. The general fund is the only fund of the Library. At the end of the current fiscal year, unassigned fund balance of the general fund was \$316,343. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 53% of total general fund expenditures.

The fund balance of the Library's general fund increased by \$29,677 during the year ended June 30, 2020. This larger increase in fund balance compared to the prior year can be attributed to the Library receiving significant donations in the current and an increase in property tax revenue due to a higher taxable value.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there were no significant amendments to original budgeted revenues or appropriations.

Final budget compared to actual results. The Library had the following expenditure budget exceptions for fiscal year 2020:

<u>General Fund</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Memberships	\$ 7,000	\$ 9,305	\$ (2,305)
Maintenance and Repairs	31,000	31,334	(334)

Capital Asset Administration

Capital Assets. The Library's investment in capital assets at year-end amounted to \$149,684 (net of accumulated depreciation). Capital assets of the Library include any items purchased that have an expected useful life of over one year and a cost of over \$5,000. The Library has invested in a broad range of capital assets. More information about the Library's capital assets can be found in the notes to the financial statements section of this document.

Economic Factors and Next Year's Budgets and Rates

Management estimates that approximately \$630,000 of revenues will be available for appropriation in the general fund in the upcoming budget. The Library continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. Additionally, management is currently working to determine the significance that the COVID-19 Pandemic will have on the Library's upcoming revenues and expenditures. The Library plans to monitor expenditures in these areas carefully.

Contacting the Library's Management

This financial report is designed to provide the wide variety of users of this document with a general overview of the Library's finances and demonstrate the Library's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to:

Fraser Public Library
16330 E 14 Mile Rd.
Fraser, MI 48026

Basic Financial Statements

**Fraser Public Library
Statement of Net Position
June 30, 2020**

ASSETS

Current Assets

Cash and Cash Equivalents	\$	324,850
Accounts Receivable		311
Due from Other Governments		13,699
Prepaid Items		8,856
<i>Total Current Assets</i>		347,716

Noncurrent Assets

Capital Assets being Depreciated, net		149,684
<i>Total Assets</i>		497,400

LIABILITIES

Current Liabilities

Accounts Payable		6,264
Other Liabilities		3,204
Accrued Payroll and Related Liabilities		13,049
<i>Total Liabilities</i>		22,517

NET POSITION

Investment in Capital Assets		149,684
<i>Unrestricted</i>		325,199
<i>Total Net Position</i>	\$	474,883

The Notes to the Financial Statements are an integral part of these Financial Statements

**Fraser Public Library
Statement of Activities
For the Year Ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Recreation and Culture	\$ 527,715	\$ 23,349	\$ 133,843	\$ --	\$ (370,523)
<i>Total</i>	\$ 527,715	\$ 23,349	\$ 133,843	\$ --	\$ (370,523)
General Purpose Revenues					
					460,518
					5,700
					466,218
					95,695
					<i>Net Position at Beginning of Period</i> 379,188
					\$ 474,883

The Notes to the Financial Statements are an integral part of these Financial Statements

**Fraser Public Library
Balance Sheet
Governmental Fund
June 30, 2020**

	General
ASSETS	
Cash and Cash Equivalents	\$ 324,850
Accounts Receivable	311
Due from Other Governments	13,699
Prepaid Items	8,856
<i>Total Assets</i>	\$ 347,716
LIABILITIES	
Accounts Payable	\$ 6,264
Other Liabilities	3,204
Accrued Payroll and Related Liabilities	13,049
<i>Total Liabilities</i>	22,517
FUND BALANCE	
Nonspendable	8,856
Unassigned	316,343
<i>Total Fund Balance</i>	325,199
<i>Total Liabilities and Fund Balance</i>	\$ 347,716

The Notes to the Financial Statements are an integral part of these Financial Statements

Fraser Public Library
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2020

Total Fund Balance - Governmental Fund	\$	325,199
General government capital assets of \$476,474, net of accumulated depreciation of \$326,790, are not financial resources and, accordingly, are not reported in the funds.		149,684
Total Net Position - Governmental Activities	\$	<u>474,883</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Fraser Public Library
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2020

	General
Revenues	
Property Taxes	\$ 460,518
Intergovernmental Revenue	103,355
Fines, Rentals, and Other	17,053
Donations	30,488
Interest	5,700
Miscellaneous	6,296
<i>Total Revenues</i>	623,410
Expenditures	
Salaries and Wages	292,045
Payroll Taxes	23,319
Retirement	6,068
Other Benefits	21,687
Books and Materials	25,616
Supplies	10,935
Professional and Contractual Services	63,987
Communications	4,048
Programming	4,076
Memberships	9,305
Utilities	17,636
Repair and Maintenance	31,334
Insurance	6,098
Rentals	4,845
Other Expenditures	2,210
Capital Outlay	70,524
<i>Total Expenditures</i>	593,733
<i>Excess of Revenues Over</i>	
<i>(Under) Expenditures</i>	29,677
<i>Net Change in Fund Balance</i>	29,677
<i>Fund Balance at Beginning of Period</i>	295,522
<i>Fund Balance at End of Period</i>	\$ 325,199

The Notes to the Financial Statements are an integral part of these Financial Statements

Fraser Public Library
Reconciliation of Governmental Fund Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2020

Total Net Change in Fund Balances - Governmental Fund	\$	29,677
<p>Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlay expenditures of \$96,140 exceed depreciation expense of \$30,122.</p>		
		66,018
Changes in Net Position - Governmental Activities	\$	<u>95,695</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Notes to the Financial Statements

Fraser Public Library

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Fraser Public Library (the “Library”) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the Library’s significant accounting policies.

Reporting Entity

The Library was established in 1964 as a public library pursuant Public Act 164 of 1877, sec. 10a. The Library is governed by a six member Library Board. The Library is administered by a director appointed by the Board. The Library is primarily funded through a tax levy on property within the Library district, fines, fees, and state aid.

The financial statements of the Library have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles. The Library’s more significant accounting policies are described below.

Government-wide and Fund Financial Statements

The government-wide financial statements (e.g., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: 1) charges to Library patrons who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not included among program revenues, and are reported instead as general revenue.

The statement of net position includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library’s net position is reported in three parts: 1) investment in capital assets 2) restricted net position, and 3) unrestricted net position.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fraser Public Library

Notes to the Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Intergovernmental revenue, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

The Library reports the following major governmental fund:

The ***general fund*** is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

Financial Statement Amounts

Property Tax

Property taxes attach as an enforceable lien on property as of July 1st each year. Library taxes, levied and immediately due July 1st, are collected without penalty through September 14th, and with penalty thereafter. Library property tax revenues are recognized as revenues in the fiscal year levied to the extent that they are budgeted and available for the financing of operations.

The 2019 state taxable value for real/personal property of the Library totaled approximately \$456,255,959. The ad valorem taxes levied consisted of .9924 mills for Library operations.

Cash

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments, if any, with original maturities of three months or less from date of acquisition.

Due from Other Governments

The Library's due from other governments represents state aid receivable from the State of Michigan and penal fines receivable from Macomb County.

Fraser Public Library

Notes to the Financial Statements

The Library has no uncollectable accounts receivable balances as of June 30, 2020.

Capital Assets

Capital assets are defined by the Library as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are valued at the estimated acquisition cost. 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. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Description	Years
Library Collection	7
Furniture and Fixtures	10
Machinery and Equipment	5
Buildings and Improvements	10

Net Position Flow Assumption

Sometimes the Library will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumption

Sometimes the Library will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report

Fraser Public Library

Notes to the Financial Statements

nonspendable fund balance for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision making authority. The Library Board of Trustees is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the *assigned fund balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Library Board of Directors can assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance is the residual classification for the Library's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Library Board of Trustees.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through December 8, 2020, the date on which these financial statements were available to be issued. The Library may be affected by the recent and ongoing outbreak of the Coronavirus (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. COVID-19 has caused significant government and business disruptions through mandated and voluntary closings and stay at home orders. Management and the Library Board are in the process of determining if this outbreak will have a significant financial impact on the Library's financial statements.

Fraser Public Library

Notes to the Financial Statements

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The appropriated budget is prepared by individual revenue and expenditure line item. The legal level of budgetary control is the individual line item. The Board of Trustees made supplemental budgetary appropriations throughout the year.

All annual appropriations lapse at the end of the fiscal year.

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The Library had the following expenditures in excess of the amount appropriated during the year:

<u>General Fund</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Memberships	\$ 7,000	\$ 9,305	\$ (2,305)
Maintenance and Repairs	31,000	31,334	(334)

Note 3 - Deposits and Investments

State statutes authorize the Library to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Library is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of 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 investment policy adopted by the Library authorizes investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Library’s deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk.

Fraser Public Library

Notes to the Financial Statements

The Library's funds were deposited with two financial institutions which both meet the requirements of state statutes. The carrying value, market value and FDIC insured amounts are summarized at June 30, 2020 as follows:

	Bank Balance	Carrying Amount
Amount Insured by the FDIC	\$ 324,850	\$ 328,856
Amount Uninsured and Uncollateralized	-	-
	\$ 324,850	\$ 328,856

Note 4 - Capital Assets

A summary of the changes in capital assets is as follows:

	June 30, 2019	Additions	Reductions	June 30, 2020
Capital Assets being Depreciated				
Library Collection	\$ 367,953	\$ 25,616	\$ 200,881	\$ 192,688
Building and Improvements	-	23,944	-	23,944
Furniture and Fixtures	5,652	43,790	-	49,442
Machinery and Equipment	6,729	2,790	-	9,519
Total Capital Assets being Depreciated	380,334	96,140	200,881	275,593
Less Accumulated Depreciation				
Library Collection	292,940	23,867	200,881	115,926
Building and Improvements	-	1,596	-	1,596
Furniture and Fixtures	1,036	2,755	-	3,791
Machinery and Equipment	2,692	1,904	-	4,596
Total Accumulated Depreciation	296,668	30,122	200,881	125,909
Capital Assets, Net	\$ 83,666	\$ 66,018	\$ -	\$ 149,684

The entire balance of depreciation expense (\$30,122) for the year ended June 30, 2020 was applied to the recreation and culture function.

Note 5 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Library carries commercial insurance. Liabilities in excess of insurance are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There have been no losses in excess of insurance in the prior three years.

Required Supplementary Information

Fraser Public Library
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) Final to Actual
Revenues				
Property Taxes	\$ 465,791	\$ 463,697	\$ 460,518	\$ (3,179)
Intergovernmental Revenue	42,878	102,249	103,355	1,106
Fines, Rentals, and Other	18,000	17,069	17,053	(16)
Donations	9,800	30,488	30,488	--
Interest	6,000	5,560	5,700	140
Miscellaneous	6,600	5,981	6,296	315
Total Revenues	<u>549,069</u>	<u>625,044</u>	<u>623,410</u>	<u>(1,634)</u>
Expenditures				
Salaries and Wages	287,000	296,036	292,045	3,991
Payroll Taxes	21,956	24,400	23,319	1,081
Retirement	2,000	6,400	6,068	332
Other Benefits	11,950	23,974	21,687	2,287
Books and Materials	35,000	35,000	25,616	9,384
Supplies	15,000	13,000	10,935	2,065
Professional and Contractual Services	75,000	75,000	63,987	11,013
Communications	3,400	4,500	4,048	452
Programming	6,000	5,000	4,076	924
Memberships	7,000	7,000	9,305	(2,305)
Utilities	20,000	18,000	17,636	364
Repair and Maintenance	24,000	31,000	31,334	(334)
Insurance	9,500	6,500	6,098	402
Rentals	5,000	5,500	4,845	655
Other Expenditures	4,000	3,000	2,210	790
Capital Outlay	12,800	70,734	70,524	210
Total Expenditures	<u>539,606</u>	<u>625,044</u>	<u>593,733</u>	<u>31,311</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>9,463</u>	<u>--</u>	<u>29,677</u>	<u>29,677</u>
Net Change in Fund Balance	9,463	--	29,677	29,677
Fund Balance at Beginning of Period	<u>295,522</u>	<u>295,522</u>	<u>295,522</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ 304,985</u>	<u>\$ 295,522</u>	<u>\$ 325,199</u>	<u>\$ 29,677</u>

December 8, 2020

To the Library Board
Fraser Public Library

We have audited the financial statements of the governmental activities and the major fund of the Fraser Public Library (the “Library”) for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 8, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Library are described in Note 1 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 Library’s financial statements was:

- Management’s estimate of the current year capital asset depreciation expense is based on the estimated useful lives of the Library’s capital assets.

We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

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 and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 8, 2020.

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 Library's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and the budgetary comparison schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

Very truly yours,

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the printed name of the company.

Gabridge & Company, PLC
Grand Rapids, MI