

**BELLEVILLE AREA DISTRICT LIBRARY**  
**(formerly the FRED C. FISCHER Library)**

FINANCIAL REPORT  
WITH  
SUPPLEMENTARY INFORMATION

JUNE 30, 2018

**BELLEVILLE AREA DISTRICT LIBRARY**  
**(formerly the Fred C. Fischer Library)**

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## INDEPENDENT AUDITOR'S REPORT

Members of the Belleville Area District Library Board  
Belleville Area District Library  
Belleville, Michigan

We have audited the accompanying financial statements of the governmental activities and major funds of the Belleville Area District Library Board (the Library) as of and for the year ended June 30, 2018, 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 Responsible 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Library'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 of the effectiveness of the Library'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 opinion.

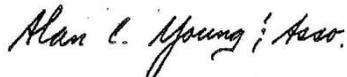
## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major funds of the Library as of June 30, 2018 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 Supplement Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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.



Detroit, Michigan  
December 14, 2018

# **BELLEVILLE AREA DISTRICT LIBRARY**

## **(formerly the Fred C. Fischer Library)**

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**Management's Discussion and Analysis**  
**June 30, 2018**

Belleville Area District Library (the "Library") management offers this narrative overview and analysis of the Library's financial activities and statements for the fiscal year ended June 30, 2018. This narrative is an overview of the financial health of the Library based on the information in the statements. This discussion is intended to be an objective, straightforward and understandable introduction to the Library's financial statements.

### **Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net position and the statement of activities of the Library as a whole present a longer-term view of the Library's finances. This longer-term view uses the accrual basis of accounting to demonstrate the cost of providing services during the current year and the degree to which the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view and demonstrate how the taxpayers' resources were spent during the year, as well as how much is available for future spending, on a modified accrual basis. The fund financial statements report the Library's operations in more detail than the government-wide financial statements by providing information about the Library's most significant funds.

### **Financial Highlights**

The Library's financial activities continue to reflect the new library building construction project due to be completed by Spring 2020. To support the repayment of the project's 20-year bond issue of \$13,820,000 approved by the voters in November 2016, a debt service millage of .64 mills was authorized by the Library Board to be levied in Winter 2018. The library also levies two operating millages approved by the voters of .7 mills and .75 mills. The operating millages to be levied on the Winter 2018 tax bill have been rolled back by the Headlee Amendment (MCL 211.34d) to .6930 mills and .7425 mills.

**BELLEVILLE AREA DISTRICT LIBRARY**  
**(formerly the Fred C. Fischer Library)**

Management's Discussion and Analysis (Continued)  
June 30, 2018

**Statement of Net Position**

The following table shows, in a condensed format, the Library's net position on a comparative basis as of June 30, 2018 and 2017:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Change from Prior Year</u>
<b>Assets</b>			
Capital Assets	\$ 1,998,290	\$ 735,952	\$ 1,262,338
Restricted Investments	12,568,371	13,729,846	(1,161,475)
Other Assets	2,729,826	1,302,933	1,426,893
<b>Total Assets</b>	<u>17,296,487</u>	<u>15,768,731</u>	<u>1,527,756</u>
<b>Liabilities</b>			
Current Liabilities	721,620	620,908	100,712
Bonds Payable, Net of Current Portion	13,244,192	13,770,536	(526,344)
Compensated Absences	78,851	67,419	11,432
<b>Total Liabilities</b>	<u>14,044,663</u>	<u>14,458,863</u>	<u>(414,200)</u>
<b>Net Position</b>			
Net Investment in Capital Assets	499,797	529,983	(30,186)
Restricted-Unspent Bond Proceeds	(12,321,507)	(13,614,031)	1,292,524
Restricted for Capital Projects and Debt Service	13,089,719	14,052,962	(963,243)
Unrestricted	1,983,815	340,954	1,642,861
<b>Total Net Position</b>	<u>\$ 3,251,824</u>	<u>\$ 1,309,868</u>	<u>\$ 1,941,956</u>

**BELLEVILLE AREA DISTRICT LIBRARY**  
**(formerly the Fred C. Fischer Library)**

Management's Discussion and Analysis (Continued)  
 June 30, 2018

**Statement of Activities**

The following table shows, in a consolidated format, the Library's Statement of Activities on a comparative basis for the years ended June 30, 2018 and June 30, 2017:

	<u>June 30,</u> <u>2018</u>	<u>June 30,</u> <u>2017</u>	<u>Change from</u> <u>Prior Year</u>
<b>Revenue</b>			
Property Taxes	\$ 3,209,345	\$ 917,710	\$ 2,291,635
Library Fines and Fees	130,601	76,704	53,897
Other	37,664	37,266	398
Interest Income	<u>120,629</u>	<u>22,638</u>	<u>97,991</u>
<b>Total Revenue</b>	<b>3,498,239</b>	<b>1,054,318</b>	<b>2,443,921</b>
<b>Expenses</b>			
Salaries and Benefits	721,824	620,914	100,910
Depreciation	144,266	146,434	(2,168)
Other	<u>690,193</u>	<u>297,652</u>	<u>392,541</u>
<b>Total Expenditures</b>	<u>1,556,283</u>	<u>1,065,000</u>	<u>491,283</u>
<b>Change in Net Position</b>	<u><u>\$ 1,941,956</u></u>	<u><u>\$ (10,682)</u></u>	<u><u>\$ 1,952,638</u></u>

The Library's net position increased from June 30, 2017 to June 30, 2018 by approximately \$1.9 million primarily due to increased property tax revenue due to new debt service and operating millages. These revenues were primarily used to pay debt service and for construction of the new building.

The property tax revenues for June 30, 2017 were generated by a millage of .7 mills. Voters in the library service area authorized the Library to levy a .75 operating millage and a .75 debt service millage to support the issuance of bonds in the amount of \$13,820,000 to fund the construction of a new library. The new millages were levied on the winter 2017 tax roll and recognized in the year ending June 30, 2018.

**The Library's Funds**

**General Fund**

For the fiscal year ended June 30, 2018, the General Fund revenues were in excess of expenditures by \$1,175,295. Actual revenues were higher than budget by \$97,423 and actual expenditures were less than budgeted by \$134,477. Per Board resolution, \$945,000 of the fund balance has been committed to cover the Library's 2018-2019 budget.

# **BELLEVILLE AREA DISTRICT LIBRARY**

## **(formerly the Fred C. Fischer Library)**

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Management's Discussion and Analysis (Continued)  
June 30, 2018

### **Capital Projects Fund**

For the fiscal year ended June 30, 2017 the Capital Projects Fund received \$13,820,000 of bond proceeds plus a premium from the bond sale of \$426,880. The bonds will be paid off over a twenty year period. The bond proceeds were immediately invested and generated \$164,810 of interest income for the year ended June 30, 2018. Capital outlay expenditures of \$1,292,524 were incurred.

### **Debt Service Fund**

For the fiscal year ending June 30, 2018, the Debt Service Fund had property tax revenue of \$1,158,340. Debt service payments of \$948,240 were paid.

### **Capital Assets**

During the year ended June 30, 2018, the Library purchased books and periodicals totaling \$114,080, which were added to the existing collection. In addition, property costing \$1,292,524 was purchased by the Capital Projects Fund in connection with the construction of a new library. Depreciation expense for the year was \$144,266.

### **General Fund Budgetary Highlights**

Over the course of the year, the Library revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Library's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

Budgeted revenues for the General Fund were increased by \$190,495 from the original budget, primarily due to property tax revenues. Budgeted expenditures for the General Fund were increased by \$23,200. The Library did not have any significant budget variances and total expenditures were \$134,477 under budget.

### **Economic Factors and Next Year's Budget**

The 2018-2019 General Fund budgeted tax revenues reflect an increase in taxable values. The 2018-2019 General Fund Budget reflects the anticipated costs of staffing and maintaining a small media center in Sumpter Township, located in the southern portion of the library's service area.

In 2016 voters in the library service area authorized the Library to incur \$13,820,000 in debt (total 20-year repayment with interest \$19,654,575) for the construction of a new library facility. The maximum number of years the bonds may be outstanding, exclusive of any refunding is twenty-one years.

The 2018-2019 Capital Projects budget reflects anticipated construction costs to be incurred.

The 2018-2019 Debt Service Fund reflects the anticipated .64 debt service millage to be received from the Winter 2018 tax roll plus the payment of interest and principal on the outstanding bonds due in November 2018 and May 2019.

# **BELLEVILLE AREA DISTRICT LIBRARY**

## **(formerly the Fred C. Fischer Library)**

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Management's Discussion and Analysis (Continued)  
June 30, 2018

### **Contacting the Library's Management**

This financial report is intended to provide the 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 Belleville Area District Library at 167 Fourth Street, Belleville, MI 48111.

**BELLEVILLE AREA DISTRICT LIBRARY**  
**(formerly the Fred C. Fischer Library)**

**Statement of Net Position**  
**June 30, 2018**

	<b>Governmental Funds</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash & Cash Equivalents (Note 3)	\$ 2,465,713
Investments-Restricted (Note 3)	12,568,371
Due From Other Governmental Units	212,403
Prepaid Expenses	20,945
Accrued Interest	<u>30,765</u>
<b>Total Current Assets</b>	<u>15,298,197</u>
<b>Non-Current Assets</b>	
Capital Assets - Net (Note 5)	<u>1,998,290</u>
<b>Total Assets</b>	<u>\$ 17,296,487</u>
<b>Liabilities and Net Position</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 105,963
Accrued Liabilities	9,792
Bond Payable-Current Portion (Note 8)	505,000
Bond Premium-Current Portion (Note 8)	21,344
Accrued Interest payable	<u>79,521</u>
<b>Total Current Liabilities</b>	<u>721,620</u>
<b>Non-Current Liabilities</b>	
Bonds Payable (Note 8)	12,860,000
Bond Premiums (Note 8)	384,192
Compensated Absences Payable (Note 7)	<u>78,851</u>
<b>Total Non-Current Liabilities</b>	<u>13,323,043</u>
<b>Total Liabilities</b>	<u>14,044,663</u>
<b>Net Position</b>	
Net Investment in Capital Assets	499,797
Restricted-Unspent Bond Proceeds	(12,321,507)
Restricted for Capital Projects	12,632,619
Restricted for Debt Service	457,100
Unrestricted	<u>1,983,815</u>
<b>Total Net Position</b>	<u>3,251,824</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 17,296,487</u>

*The accompanying notes are an integral part of the financial statements.*

**BELLEVILLE AREA DISTRICT LIBRARY**  
**(formerly the Fred C. Fischer Library)**

**Statement of Activities**  
**Year Ended June 30, 2018**

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
<b>Functions / Programs:</b>			
<b>Governmental Activities:</b>			
Library	\$ 1,556,283	\$ -	\$ (1,556,283)
<b>General Revenues:</b>			
Property Taxes (Note 1)			3,209,345
Grant Revenue			4,795
State Aid			29,368
Library Fines and Fees			130,601
Contributions and Donations			3,501
Interest			120,629
<b>Total General Revenues</b>			<u>3,498,239</u>
<b>Change in Net Position</b>			1,941,956
<b>Net Position, Beginning of Year</b>			<u>1,309,868</u>
<b>Net Position, End of Year</b>			<u>\$ 3,251,824</u>

*The accompanying notes are an integral part of the financial statements.*

**BELLEVILLE AREA DISTRICT LIBRARY**  
**(formerly the Fred C. Fischer Library)**

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
<b>Assets</b>				
Cash and Cash Equivalents (Note 3)	\$ 1,913,645	\$ 135,098	\$ 416,970	\$ 2,465,713
Investments-Restricted (Note 3)	-	12,568,371	-	12,568,371
Due from Other Governmental Units	172,173	-	40,230	212,403
Prepaid Expenses	20,945	-	-	20,945
Due from Other Funds (Note 9)	12,083	-	-	12,083
Accrued interest	-	30,765	-	30,765
<b>Total Assets</b>	<u>\$ 2,118,846</u>	<u>\$ 12,734,234</u>	<u>\$ 457,200</u>	<u>\$ 15,310,280</u>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 16,331	\$ 89,632	\$ -	\$ 105,963
Accrued Liabilities	9,792	-	-	9,792
Due to Other Funds (Note 9)	-	11,983	100	12,083
<b>Total Liabilities</b>	<u>26,123</u>	<u>101,615</u>	<u>100</u>	<u>127,838</u>
<b>Fund Balance</b>				
Non-Spendable	20,945	-	-	20,945
Restricted	-	12,632,619	457,100	13,089,719
Committed for Working Capital	945,000	-	-	945,000
Undesignated	1,126,778	-	-	1,126,778
<b>Total Fund Balance</b>	<u>2,092,723</u>	<u>12,632,619</u>	<u>457,100</u>	<u>15,182,442</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 2,118,846</u>	<u>\$ 12,734,234</u>	<u>\$ 457,200</u>	<u>\$ 15,310,280</u>

*The accompanying notes are an integral part of the financial statements.*

**BELLEVILLE AREA DISTRICT LIBRARY**  
**(formerly the Fred C. Fischer Library)**

**Reconciliation of Total Governmental Fund Balance  
to Net Position of Governmental Activities  
June 30, 2018**

**Total Fund Balance - Governmental Fund** \$ 15,182,442

Amounts reported for governmental activities in the Statement of Net Position are different because -

Capital assets used in governmental activities are not financial resources and therefore are not reported in the Governmental Funds Balance Sheet

Capital Assets at Cost	4,168,425
Accumulated Depreciation	(2,170,135)

Long-term Liabilities are not due and payable in the current period and therefore are not reported in governmental funds

Bonds Payable	(13,365,000)
Bond Premium	(405,536)
Compensated Absences Payable	(78,851)

Accrued interest is not reported in the governmental funds	<u>(79,521)</u>
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**Total Net Position** \$ 3,251,824

*The accompanying notes are an integral part of the financial statements.*

**BELLEVILLE AREA DISTRICT LIBRARY**  
**(formerly the Fred C. Fischer Library)**

**Statement of Revenues, Expenditures, and Changes in Fund  
Balance – Governmental Funds  
June 30, 2018**

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
<b>Revenue</b>				
Property Taxes	\$ 2,051,005	\$ -	\$ 1,158,340	\$ 3,209,345
Grant Revenue	4,795	-	-	4,795
State Aid	29,368	-	-	29,368
Local Library Fines and Fees	130,601	-	-	130,601
Contributions and Donations	3,501	-	-	3,501
Investment Income	1,448	119,181	-	120,629
<b>Total Revenue</b>	<u>2,220,718</u>	<u>119,181</u>	<u>1,158,340</u>	<u>3,498,239</u>
<b>Expenditures</b>				
Salaries	544,033	-	-	544,033
Benefits and FICA	177,791	-	-	177,791
Books	114,080	-	-	114,080
Supplies	13,484	-	-	13,484
Professional Fees	21,943	-	-	21,943
Dues	2,406	-	-	2,406
Contracted Services	67,053	-	-	67,053
Telephone	12,240	-	-	12,240
Insurance	10,939	-	-	10,939
Utilities	24,217	-	-	24,217
Repairs and Maintenance	3,880	-	-	3,880
Printing and Publications	12,139	-	-	12,139
Postage	6,563	-	-	6,563
Computer Hardware/Software	19,605	-	-	19,605
Miscellaneous	15,050	-	-	15,050
Capital Outlay	-	1,292,524	-	1,292,524
Debt Service	-	-	948,240	948,240
<b>Total Expenditures</b>	<u>1,045,423</u>	<u>1,292,524</u>	<u>948,240</u>	<u>3,286,187</u>
<b>Excess/(Deficiency) of Revenues Over Expenditures</b>	1,175,295	(1,173,343)	210,100	212,052
<b>Fund Balance - June 30, 2017</b>	<u>917,428</u>	<u>13,805,962</u>	<u>247,000</u>	<u>14,970,390</u>
<b>Fund Balance - June 30, 2018</b>	<u>\$ 2,092,723</u>	<u>\$ 12,632,619</u>	<u>\$ 457,100</u>	<u>\$ 15,182,442</u>

*The accompanying notes are an integral part of the financial statements.*

**BELLEVILLE AREA DISTRICT LIBRARY**  
**(formerly the Fred C. Fischer Library)**

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Reconciliation of the Statement of Revenues, Expenditures, and Changes  
In Fund Balance of Governmental Funds to the Statement of Activities  
June 30, 2018

**Net Changes in Fund Balance - Total Governmental Funds** \$ 212,052

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

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their useful lives as depreciation

Depreciation Expense	(144,266)
Capital Outlay	1,406,604

Increase in non-current liabilities for compensated absences payable is an expense in the Statement of Activities but is not an expenditure in the governmental funds	(11,432)
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Repayment of debt is an expense in the governmental funds but it reduces the debt in the statement of Net Position	455,000
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Amortization of bond premiums reduces the debt liability in the statement of Net Position	21,344
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Accrued interest on bonds is not recorded at the fund level, but is an expense in the Statement of Activities	2,654
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**Change in Net Position** \$ 1,941,956

*The accompanying notes are an integral part of the financial statements.*

# **BELLEVILLE AREA DISTRICT LIBRARY**

## **(formerly the Fred C. Fischer Library)**

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Notes to Financial Statements  
June 30, 2018

### **1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Effective April 17, 2010, Belleville Area District Library (the "Library") (formerly known as the Fred C. Fischer Library) was established as a district library with a territory which is located in the jurisdictional limits of the City of Belleville, Van Buren Township, and Sumpter Township. Its purpose is to provide library services to the residents of all the participating communities.

#### Reporting Entity

The Library is governed by an elected seven-member board. The accompanying 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. The Library utilizes a General Fund, a Capital Projects Fund and a Debt Service Fund to account for all its financial resources.

#### Basis of Accounting

The accounting policies of the Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

The following is a summary of the significant accounting policies:

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes susceptible to accrual that is, when it becomes both measurable and available. Revenue is considered 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Library's 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 Library's policy to spend funds in this order: committed, assigned, and unassigned.

# **BELLEVILLE AREA DISTRICT LIBRARY**

## **(formerly the Fred C. Fischer Library)**

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Notes to Financial Statements (Continued)  
June 30, 2018

### 1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Library:

- a. **General Fund** is the general operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. **Capital Projects Fund** is used to record proceeds or other revenue and the disbursement of invoices specifically designated for construction of the new library building. The fund operates until the purpose for which it was created is accomplished.
- c. **Debt Service Funds** are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

**Property Tax Revenue** - Property taxes are levied on each December 1 on the taxable valuation of property included in the Library's district, as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Library's 2017 tax is levied and collectible on December 1, 2017 and is recognized as revenue in the year ended June 30, 2018, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2017 taxable valuation of the Library's district, which includes that of the City of Belleville, Sumpter Township, and Van Buren Township, totaled approximately \$1,397 million. A portion of that taxable value is captured by various tax increment financing districts. Taxes levied consisted of 1.45 mills and resulted in a net Library levy of approximately \$2,051,000.

In addition, a tax levy of 0.75 mills was levied for debt service which resulted in a net levy of approximately \$1,158,400 recorded in the debt service fund.

**Cash Equivalents** - The Library considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

**Restricted Assets** – Certain resources from the issuance of bonds are classified as restricted assets on the Statement of Net Position because their use is limited by applicable bond covenants.

**Prepaid Expenses** – Payments made to vendors for services that will benefit periods beyond June 30, 2018 are recorded as prepaid expenses.

# **BELLEVILLE AREA DISTRICT LIBRARY**

## **(formerly the Fred C. Fischer Library)**

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Notes to Financial Statements (Continued)  
June 30, 2018

### 1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fixed Assets** - The building that the Library currently occupies is owned by the City of Belleville. Capital assets owned by the Library, including subsequent building additions funded by the Library, are reported in the statement of net position. Capital assets are defined by the Library as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. However, books and periodicals are identified by management at acquisition regardless of dollar amount and capitalized accordingly. 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.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Books and Periodicals	5 to 15 years
Building Additions	30 years
Building Improvements	15 years
Computers	5 years

**Compensated Absences (Vacation and Sick Leave)** – It is the Library’s policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide financial statements.

**Deferred Outflows of Resources** – In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The Library did not have any items that qualify for reporting in this category at June 30, 2018.

**Deferred Inflows of Resources** – In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Library did not have any balances classified as deferred inflows at June 30, 2018.

**Fund Equity** – Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds.

# **BELLEVILLE AREA DISTRICT LIBRARY**

## **(formerly the Fred C. Fischer Library)**

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Notes to Financial Statements (Continued)  
June 30, 2018

### 1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Fund Equity (Continued)**

Fund Equity is classified as net position and displayed in three components:

- (a) **Net Investment in Capital Assets** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (b) **Restricted** - Consists of net position with constraints placed on the use by: (1) external groups such as creditors, grantors, contributors, or laws or regulations of other *governments*; or (2) law through constitutional provisions or enabling legislation.
- (c) **Unrestricted** - All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

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 Library's board for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Library's board.
- **Assigned** - Intent to spend resources on specific purposes expressed by the Library's board.

**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.

### 2) **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

For the fiscal year ended June 30, 2018, no expenditures exceeded appropriations.

# **BELLEVILLE AREA DISTRICT LIBRARY**

## **(formerly the Fred C. Fischer Library)**

Notes to Financial Statements (Continued)  
June 30, 2018

### **3) DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. A 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 agreements; 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 three financial institutions for the deposit of its funds. The investment policy, adopted by the board effective April 17, 2010 and in accordance with Public Act 196 of 1997, has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of the state statutory authority as listed above. The Library's deposits and investment policies are in accordance with statutory authority.

The Library's cash is subject to 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 \$15,019,482 of deposits that were uninsured and uncollateralized. The Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### Investments

The Library has investments that are held in various investment vehicles. Following is a summary of the Library's investment securities which were uninsured and unregistered,

<u>Investment Type</u>	<u>Fair Value</u>
Short-term Investments	\$ 3,397,345
Federal Agency Bonds	9,171,026
<b>Total Investments</b>	<b>\$ 12,568,371</b>

#### Custodial Credit Risk

The Library has adopted a policy that indicates the Library will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty the Library will not be able to recover the value of its investments that are in possession of an outside party, by diversifying the investment portfolio so the impact of potential loss from any one type of security or issuer will be minimized.

**BELLEVILLE AREA DISTRICT LIBRARY**  
**(formerly the Fred C. Fischer Library)**

Notes to Financial Statements (Continued)  
 June 30, 2018

3) DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk

The Library has adopted a policy that indicates the Library will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of the investment portfolio to less than a given period of time.

	<u>Amount</u>	<u>Weighted Average Maturity</u>
Short Term Investments	\$ 3,397,345	<1 year
Bonds	1,800,933	<6 months
Bonds	4,704,342	6-12 months
Bonds	2,665,751	1-2 years
	<u>\$ 12,568,371</u>	

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

**Level 1:** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Library has the ability to access.

**Level 2:** Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in inactive markets;

Inputs other than quoted prices that is observable for the assets or liabilities;

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3:** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**BELLEVILLE AREA DISTRICT LIBRARY**  
**(formerly the Fred C. Fischer Library)**

Notes to Financial Statements (Continued)  
 June 30, 2018

3) **DEPOSITS AND INVESTMENTS (Continued)**

Fair Value Measurements (Continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Library's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2018 is summarized as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Short-term Investment	\$ 3,397,345	\$ -	\$ -	\$ 3,397,345
Federal Agency Bonds	9,171,026	-	-	9,171,026
Total	<u>\$ 12,568,371</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,568,371</u>

Credit Risk

The Uniform Prudent Management of Institutional Funds Act does not limit investments of the endowment funds to certain credit ratings issued by nationally recognized statistical rating organizations. The Library has adopted a policy that indicates the Library's investment goals and objectives.

The investments held by the primary government were rated by Standard & Poor's as follows:

	<u>Fair Value-S&amp;P</u>
AA+	\$ 9,171,026
Not Rated	3,397,345
	<u>\$ 12,568,371</u>

Concentration of Credit Risk

The Library has adopted a policy that indicates the Library will minimize custodial credit risk, which is the risk of loss attributed to the magnitude of the Library's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

# BELLEVILLE AREA DISTRICT LIBRARY

## (formerly the Fred C. Fischer Library)

Notes to Financial Statements (Continued)  
June 30, 2018

### 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 has purchased commercial insurance for employee injuries and participates in the Michigan Municipal Risk Management Authority risk pool (as a state pool member) for claims relating to loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority state 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) CAPITAL ASSETS

Capital asset activity of Belleville Area District Library's governmental activities is as follows:

	Balance 6/30/2017	Additions	Disposals	Balance 6/30/2018
Land	\$ 205,969	\$ -	\$ -	\$ 205,969
Capital Work in Progress	-	1,292,524	-	1,292,524
Books and Periodicals	1,949,663	114,080	(106,331)	1,957,412
Leasehold Improvements	526,176	-	-	526,176
Furniture and Fixtures	111,422	-	-	111,422
Computers	74,922	-	-	74,922
<b>Subtotal</b>	<b>2,868,152</b>	<b>1,406,604</b>	<b>(106,331)</b>	<b>4,168,425</b>
Accumulated Depreciation:				
Books and Periodicals	1,539,202	120,534	(106,331)	1,553,405
Leasehold Improvements	427,570	17,671	-	445,241
Furniture and Fixtures	99,537	1,839	-	101,376
Computers	65,891	4,222	-	70,113
<b>Subtotal</b>	<b>2,132,200</b>	<b>144,266</b>	<b>(106,331)</b>	<b>2,170,135</b>
Net Capital Assets	<u>\$ 735,952</u>	<u>\$ 1,262,338</u>	<u>\$ -</u>	<u>\$ 1,998,290</u>

**BELLEVILLE AREA DISTRICT LIBRARY**  
**(formerly the Fred C. Fischer Library)**

Notes to Financial Statements (Continued)  
 June 30, 2018

**6) DEFINED CONTRIBUTION PENSION PLAN**

The Library provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by board approval, the Library contributes 10 percent of employees' gross earnings, and employee contributions for each employee plus interest allocated to the employee's account are fully vested immediately. The Library's total payroll for the current period was \$544,033. The current period contribution was calculated based on covered payroll of \$364,960, resulting in an employer contribution of \$36,496 and employee contributions of \$18,248.

**7) COMPENSATED ABSENCES**

Compensated absences represent the Library's liability for accrued sick and vacation time at June 30, 2018. This is a long-term liability, and is therefore recorded only in the statement of net position, and not at the fund level. The balance for compensated absences payable was \$78,851 and \$67,419 at June 30, 2018 and 2017, respectively.

**8) BONDS PAYABLE**

On April 10, 2017, the Library sold \$13,820,000 of bonds to fund a new facility. The bond principal and interest is to be paid over a twenty-year period. The bond principal outstanding as of June 30, 2018 was \$13,365,000. The bonds carry an interest rate of 3.5%-4.0% and is repayable in the range of \$455,000-\$955,000 per year.

The bonds were issued with a premium of \$426,880. This will be amortized over the life of the bonds. The unamortized premium at June 30, 2018 was \$405,536.

The future maturities of the bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 505,000	\$ 477,125	\$ 982,125
2020	520,000	459,450	979,450
2021	540,000	441,250	981,250
2022	560,000	422,350	982,350
2023	580,000	402,750	982,750
2024-28	3,220,000	1,694,725	4,914,725
2029-33	3,835,000	1,089,575	4,924,575
2034-37	3,605,000	354,300	3,959,300
Total	<u>\$ 13,365,000</u>	<u>\$ 5,341,525</u>	<u>\$ 18,706,525</u>

**BELLEVILLE AREA DISTRICT LIBRARY**  
**(formerly the Fred C. Fischer Library)**

Notes to Financial Statements (Continued)  
 June 30, 2018

**9) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances is as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General Fund	Capital Projects	\$ 11,983
	Debt Service	100
		<u>\$ 12,083</u>

Interfund balances are a result of a time lag between the dates goods and services are provided, transactions are recorded and payments between funds are made.

**10) SUBSEQUENT EVENTS**

Subsequent events were evaluated through December 14, 2018, which is the date the financial statements were available to be issued. No issues which could have a material effect on these financial statements have come to our attention.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**BELLEVILLE AREA DISTRICT LIBRARY**  
**(formerly the Fred C. Fischer Library)**

**Required Supplemental Information**  
**Budgetary Comparison Schedule – General Fund**  
**Year Ended June 30, 2018**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenue</b>				
Property Taxes	\$ 1,830,000	\$ 2,020,000	\$ 2,051,005	\$ 31,005
Grant Revenue	5,200	4,795	4,795	-
State aid	27,000	29,000	29,368	368
Local Library Fines and Fees	65,000	66,000	130,601	64,601
Contributions and Donations	5,000	2,500	3,501	1,001
Interest Income	600	1,000	1,448	448
<b>Total Revenue</b>	<u>1,932,800</u>	<u>2,123,295</u>	<u>2,220,718</u>	<u>97,423</u>
<b>Expenditures - Current</b>				
Salaries	584,000	584,000	544,033	39,967
Benefits and FICA	185,700	189,200	177,791	11,409
Books	135,000	140,000	114,080	25,920
Supplies	17,000	17,000	13,484	3,516
Professional Fees	25,500	46,000	21,943	24,057
Dues	3,500	3,500	2,406	1,094
Contracted Services	82,500	72,000	67,053	4,947
Telephone	13,700	13,700	12,240	1,460
Insurance	12,000	12,000	10,939	1,061
Utilities	29,000	26,000	24,217	1,783
Repairs and Maintenance	10,000	10,000	3,880	6,120
Printing and Publications	15,000	13,000	12,139	861
Postage	10,000	9,500	6,563	2,937
Computer Hardware/Software	17,000	24,000	19,605	4,395
Bank Charges	300	500	-	500
Miscellaneous	16,500	19,500	15,050	4,450
<b>Total Expenditures</b>	<u>1,156,700</u>	<u>1,179,900</u>	<u>1,045,423</u>	<u>134,477</u>
<b>Excess of Revenue (Under) Over Expenditures</b>	776,100	943,395	1,175,295	231,900
<b>Fund Balance - June 30, 2017</b>	<u>917,428</u>	<u>917,428</u>	<u>917,428</u>	<u>-</u>
<b>Fund Balance - June 30, 2018</b>	<u>\$ 1,693,528</u>	<u>\$ 1,860,823</u>	<u>\$ 2,092,723</u>	<u>\$ 231,900</u>

# **BELLEVILLE AREA DISTRICT LIBRARY**

## **(formerly the Fred C. Fischer Library)**

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**Note to Required Supplementary Information**  
**Year Ended June 30, 2018**

### **1) BUDGETARY INFORMATION**

The annual budget is prepared by the Library's director and submitted to the Library's board for its approval; subsequent amendments are also submitted to the Library's board for approval. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2018 has not been determined. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget as adopted by the participating communities' board or council and Belleville Area District Library is included in the required supplemental information.

**BELLEVILLE AREA DISTRICT LIBRARY**

**AUDIT COMMUNICATION LETTER**

**JUNE 30, 2018**



# *Alan C. Young & Associates, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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December 14, 2018

To the Board of Directors  
Belleville Area District Library  
Belleville, Michigan

We have recently completed our audit of the financial statements of Belleville Area District Library (the Library) for the year ended June 30, 2018. In addition to our audit report, we are providing the following required communication and recommendations, which impact the Library.

	<u>Page</u>
Communication Required Under AU-C 260	1

We are grateful for the opportunity to be of service to the Library. Should you have any questions regarding the comments in this report, please do not hesitate to contact us.

Very truly yours,

Alan C. Young and Associates, P.C.  
Detroit, Michigan



# *Alan C. Young & Associates, P.C.*

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## RESULTS OF AUDIT

December 14, 2018

Board of Directors  
Belleville Area District Library  
Belleville, Michigan

We have audited the financial statements of the governmental activities and major fund information of Belleville Area District Library (the Library) for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government 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 October 23, 2018. Professional standards also require that we communicate to you the following information related to our audit.

### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 23, 2018, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the Management Discussion & Analysis, and the Budgetary Comparison Schedule, which supplement the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

### Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions examined and the areas tested.

Results of Audit  
(Continued)

Scope and Timing of the Audit (Continued)

Our audit included obtaining an understanding of the Library and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the Library.

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. No such sensitive estimates were noted.

The disclosures in the financial statements are neutral, consistent, and clear. Note 8 is of particular importance as it discusses the Library's bonds payable related to the construction of a new Library facility.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit. We would like to commend management and staff on the assistance provided to us during the 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. Any such misstatement has been recorded and corrected by management.

*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.

Results of Audit  
(Continued)

Significant Audit Findings (Continued)

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 14, 2018.

*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*

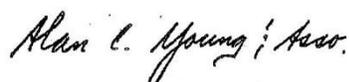
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Library’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were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

*Other Matters*

We applied certain limited procedures to the management discussion & analysis, and the budgetary comparison schedule, which are the 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 of Directors and management of the Library and is not intended to be, and should not be, used by anyone other than these specified parties.



Detroit, Michigan  
December 14, 2018