

Chippewa
River District
Library



Year Ended
December 31,
2012

Financial
Statements

CHIPPEWA RIVER DISTRICT LIBRARY

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INDEPENDENT AUDITORS' REPORT

May 22, 2013

Board of Trustees
Chippewa River District Library
Mt. Pleasant, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Chippewa River District Library (the "Library"), as of and for the year ended December 31, 2012, 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 of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 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 the major fund of the Library as of December 31, 2012, and the respective changes in financial position and the budgetary comparison of the General Fund for the year then ended in conformity with accounting principles general 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 on pages 4 through 9 and the schedule of funding progress and employer contributions on page 27 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 assurance.

Other Information

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



MANAGEMENT'S DISCUSSION AND ANALYSIS

CHIPPEWA RIVER DISTRICT LIBRARY

Management's Discussion and Analysis

This section of the annual financial report presents management's discussion and analysis of Chippewa River District Library's (hereon referred to as ("the Library")) performance during the fiscal year ending December 31, 2012. Please read this along with the financial statements of the Library.

Financial Highlights

The assets of the Library exceeded its liabilities at the close of the December 31, 2012, fiscal year by \$3,796,188 (net position). Of this amount, \$483,022 (unrestricted net position) may be used to meet the government's ongoing obligations for Library programs.

The general fund received \$2,412,760 in revenues and had \$2,285,137 in expenditures. The general fund's fund balance increased to \$557,202 from \$429,579.

At the end of the current fiscal year, committed fund balance for the general fund was \$127,623 or 5% of total general fund expenditures and unassigned fund balance for the general fund was \$429,579 or 19% of the total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to provide a basis of understanding of the Library's basic statements. These statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government -Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Library's assets and liabilities, with the differences between the two reported as net position. Overtime, increases or decreases in net position may 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 government'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 expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

CHIPPEWA RIVER DISTRICT LIBRARY

Management's Discussion and Analysis

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. Chippewa River District Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Library maintains one governmental fund.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported 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. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds (modified accrual) statements with similar information presented for government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Chippewa River District Library adopts an annual appropriated budget for the operating fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Notes to the financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-25 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Library, assets exceeded liabilities by \$3,796,188 at the end of the December 31, 2012, fiscal year.

CHIPPEWA RIVER DISTRICT LIBRARY

Management's Discussion and Analysis

Summary of Net Assets

	12/31/2012	12/31/2011
Assets		
Current assets	\$ 1,716,097	\$ 1,680,400
Capital assets, net	<u>3,673,056</u>	<u>3,526,667</u>
Total assets	<u>5,389,153</u>	<u>5,207,067</u>
Liabilities		
Current liabilities	159,543	1,232,124
Long-term liabilities	<u>367,902</u>	<u>325,246</u>
Total liabilities	<u>527,445</u>	<u>1,557,370</u>
Total deferred inflows of resources	<u>1,065,520</u>	<u>-</u>
Net position		
Invested in capital assets, net of related debt	3,313,166	3,298,901
Unrestricted	<u>483,022</u>	<u>350,796</u>
Total net position	<u>\$ 3,796,188</u>	<u>\$ 3,649,697</u>

The net position is separated into two major components; invested in capital assets (e.g., equipment), which amounted to \$3,313,166 or 87% of net position and unrestricted net position of \$483,022 or 13% of net position. Unrestricted net position may be used to meet the government's ongoing obligations to its programs.

The Library's net position increased by \$146,491 during the current fiscal year. Most of this increase largely reflects the degree to which ongoing revenues exceeded ongoing expenditures.

CHIPPEWA RIVER DISTRICT LIBRARY

Management's Discussion and Analysis

Statement of Activities

	12/31/2012	12/31/2011
Revenue		
Program revenues:		
State aid/grants	\$ 32,375	\$ 24,067
Local grants	52,468	-
Contract and other fees	31,246	32,089
Penal fines	294,482	270,004
Donations	22,806	22,749
General revenues:		
Property taxes	1,766,393	1,773,551
Other revenue	7,276	60,436
Interest	1,338	815
Total revenue	<u>2,208,384</u>	<u>2,183,711</u>
Expenditures		
Recreation and cultural	2,002,708	2,031,986
Capital outlay	45,456	14,100
Debt service	13,729	11,362
Total expenditures	<u>2,061,893</u>	<u>2,057,448</u>
Change in net position	<u>\$ 146,491</u>	<u>\$ 126,263</u>

The change in net position differs from the change in fund balance because of different accounting requirements. A reconciliation appears in the notes to the financial statements.

Summary of Fund Financial Statements

Governmental fund. As noted earlier, the focus of the governmental fund (modified accrual) financial statements is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Library's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Library's governmental fund reported an ending fund balance of \$557,202, an increase of \$127,623 from the prior year. 23% of the fund balance is committed, which is to be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Board of Trustees. 77% of the fund balance is unassigned, which is available for spending at the Library's discretion. None of this money is designated for property tax collections.

The increase in the fund balance of \$127,623 indicates that revenues were in excess of expenditures for the year.

CHIPPEWA RIVER DISTRICT LIBRARY

Management's Discussion and Analysis

Budgetary Highlights

The Library annually prepares formal budgets with amendments made when necessary. Each of the amendments are approved by the Board. Approximately 93% of the Library's revenue comes from property taxes and penal fines.

State law requires that expenditures do not exceed appropriations. Original and final budgets, as well as actual amounts paid and received, are included in the basic financial statements.

The general fund received \$2,412,760 in revenues and had \$2,285,137 in expenditures. The general fund's fund balance increased to \$557,202 from \$429,579.

The actual general fund expenditures were under budget by \$131 of the final budget amounts.

Capital Assets

As of December 31, 2012, the Library had \$3,673,056 in capital assets consisting of land, construction in progress, buildings and improvements, various pieces of furniture and equipment and library materials.

Capital Assets (net of depreciation) December 31, 2012	
Land	\$ 120,000
Buildings and improvements	3,126,137
Furniture and improvements	864,374
Library materials	<u>1,600,679</u>
Subtotal	5,711,190
Less accumulated depreciation	<u>(2,038,134)</u>
Net capital assets	<u><u>\$ 3,673,056</u></u>

Additional information regarding capital assets can be found in Note 5 of the financial statements.

Economic Factors and Next Year's Budget

The following factors were considered in preparing the Library's budget for the 2013 fiscal year:

- Increase in wages and healthcare premiums
- Expected property tax and penal fine revenues
- State Aid cuts
- Special projects and needs of the Library
- Increase in operating expenses

CHIPPEWA RIVER DISTRICT LIBRARY

Management's Discussion and Analysis

Requests for Information

This financial report is designed to provide a general overview of the Library's finances, and to demonstrate the Library's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Lise Mitchell, Chippewa River District Library, 301 S. University Avenue, Mt Pleasant, MI 48858.



BASIC FINANCIAL STATEMENTS

CHIPPEWA RIVER DISTRICT LIBRARY

Statement of Net Position and Balance Sheet - General Fund

December 31, 2012

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 650,634	\$ -	\$ 650,634
Receivables			
Accounts	81,794	-	81,794
Taxes	940,513	-	940,513
Prepays	43,156	-	43,156
Capital assets, net:			
Assets not being depreciated	-	120,000	120,000
Assets being depreciated, net	-	3,553,056	3,553,056
Total assets	\$ 1,716,097	3,673,056	5,389,153
Liabilities			
Accounts payable	\$ 22,289	-	22,289
Accrued payroll and related liabilities	42,712	198	42,910
Deferred/unearned revenue	6,130	-	6,130
Long-term liabilities:			
Due within one year	-	88,214	88,214
Due after one year	-	367,902	367,902
Total liabilities	71,131	456,314	527,445
Deferred inflows of resources			
Unavailable revenue - City of Mt. Pleasant property taxes	22,244	(22,244)	-
Taxes levied for a subsequent period	1,065,520	-	1,065,520
Total deferred inflows of resources	1,087,764	(22,244)	1,065,520
Fund balance			
Committed	127,623	(127,623)	-
Unassigned	429,579	(429,579)	-
Total fund balance	557,202	(557,202)	-
Total liabilities, deferred inflows of resources and fund balance	\$ 1,716,097		
Net position			
Invested in capital assets, net of related debt		3,313,166	3,313,166
Unrestricted		483,022	483,022
Total net position		\$ 3,796,188	\$ 3,796,188

The accompanying notes are an integral part of these financial statements.

CHIPPEWA RIVER DISTRICT LIBRARY

Statement of Activities and Statement of Revenue, Expenditures, and Changes in Fund Balance - General Fund For the Year Ended December 31, 2012

	General Fund	Adjustments	Statement of Activities
Expenditures/expenses			
Recreation and cultural	\$ 1,755,306	\$ 247,402	\$ 2,002,708
Capital outlay	448,206	(402,750)	45,456
Debt service			
Principal	67,876	(67,876)	-
Interest expense	13,749	(20)	13,729
Total expenditures/expenses	<u>2,285,137</u>	<u>(223,244)</u>	<u>2,061,893</u>
Program revenue			
State aid/grants	32,375	-	32,375
Local grants	52,468	-	52,468
Contract and other fees	31,246	-	31,246
Penal fines	294,482	-	294,482
Donations	22,806	-	22,806
Total program revenue	<u>433,377</u>	<u>-</u>	<u>433,377</u>
Net program expense			<u>1,628,516</u>
General revenue			
Property taxes	1,763,064	3,329	1,766,393
Other revenue	14,981	(7,705)	7,276
Interest	1,338	-	1,338
Total general revenue	<u>1,779,383</u>	<u>(4,376)</u>	<u>1,775,007</u>
Other financing sources			
Proceeds from financing sources	<u>200,000</u>	<u>(200,000)</u>	<u>-</u>
Change in fund balance/net position	127,623	18,868	146,491
Fund balance/net position, beginning of year	<u>429,579</u>	<u>3,220,118</u>	<u>3,649,697</u>
Fund balance/net position, end of year	<u>\$ 557,202</u>	<u>\$ 3,238,986</u>	<u>\$ 3,796,188</u>

The accompanying notes are an integral part of these financial statements.

CHIPPEWA RIVER DISTRICT LIBRARY

Statement of Revenue, Expenditures and Changes in Fund Balance

Budget to Actual - General Fund
For the Year Ended December 31, 2012

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Revenue				
Property taxes	\$ 1,762,100	\$ 1,763,065	\$ 1,763,064	\$ (1)
State aid/grants	24,000	32,375	32,375	-
Local grants	-	52,468	52,468	-
Other fees	27,550	31,245	31,246	1
Penal fines	270,000	294,480	294,482	2
Donations	-	22,805	22,806	1
Other revenue	8,625	14,980	14,981	1
Interest revenue	300	1,340	1,338	(2)
Total revenue	2,092,575	2,212,758	2,212,760	2
Expenditures				
Recreation and cultural	1,729,645	1,755,075	1,755,306	231
Capital outlay	230,230	448,568	448,206	(362)
Debt service	52,700	81,625	81,625	-
Total expenditures	2,012,575	2,285,268	2,285,137	(131)
Revenue over (under) expenditures/expenses	80,000	(72,510)	(72,377)	133
Other financing sources				
Proceeds from issuance of debt	-	200,000	200,000	-
Net change in fund balances	80,000	127,490	127,623	133
Fund balance, beginning of year	429,579	429,579	429,579	-
Fund balance, end of year	\$ 509,579	\$ 557,069	\$ 557,202	\$ 133

The accompanying notes are an integral part of these financial statements.

CHIPPEWA RIVER DISTRICT LIBRARY

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Chippewa River District Library, (the “Library”), is a not-for-profit Michigan Municipal Corporation established under the authority of the District Library Establishment Act, 1989 PA 24, as amended, and the District Library Financing Act, 1988 PA 265, as amended. The Library is governed by a Board of Trustees appointed by the City of Mt. Pleasant, the Mt. Pleasant Public School District, Charter Township of Union and Coe Township, Fremont Township and Rolland Township. The Library was officially recognized by the Library of Michigan on May 19, 1998, and successfully passed its first operational millage on December 21, 1998. Prior to district library status, the library operated as a department of the City of Mt. Pleasant under the authority of PA 164 of 1877.

The service area of the Library encompasses the boundaries of the Mt. Pleasant Public School District, the City of Mt. Pleasant, Union Township, Coe Township, Fremont Township and Rolland Township. The Library consists of five branches, Veterans Memorial Library in Mt. Pleasant, Faith Johnston Memorial Library in Rosebush, Shepherd Community Library in Shepherd, Fremont Township Library in Winn and Rolland Township Library in Blanchard.

Funds for the Library come from assessments on property in the Library District, penal fines, state aid, fees, grants and donations. As a municipal government, the Library is not subject to state or federal taxes.

The accounting policies of the Chippewa River District Library conform to generally accepted accounting principles, as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity

The Library has followed the guidelines of the Governmental Accounting Standards Board’s Statement No. 14 and has determined that no entities should be consolidated into its financial statements as component units, entities for which the government is considered to be financially accountable. Therefore, the reporting entity consists of the primary government financial statements only.

Government-wide and Fund Financial Statements

As permitted by GASB Statement No. 34, the Library uses an alternative approach reserved for single program governments to present combined government-wide fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Position and Balance Sheet - General Fund and the Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants 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 meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CHIPPEWA RIVER DISTRICT LIBRARY

Notes To Financial Statements

The general fund is the Library's only governmental fund, which is also considered a major fund for reporting purposes.

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.

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 government 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.

Property taxes, intergovernmental revenues 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 government.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, deferred outflows of resources, liabilities, deferred inflows of resources and equity

Cash and cash equivalents

Cash and cash equivalents consist of deposits in checking accounts and short-term investments with maturity periods of less than three months.

Investments

Michigan law authorizes the Library to deposit and invest in:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

CHIPPEWA RIVER DISTRICT LIBRARY

Notes To Financial Statements

- d. Banker's acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the investments company act of 1940 with the Library to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital assets

Capital assets are reported in the governmental activities in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, if any, are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized when purchased. Capital assets are depreciated using the straight line method over the following estimated useful lives:

	Years
Building and improvements	15-40
Library materials	20
Furniture and equipment	5-20

Deferred outflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

CHIPPEWA RIVER DISTRICT LIBRARY

Notes To Financial Statements

Deferred revenues

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred revenue recorded in the general fund represents the grant funds received in excess of expended or properly matched amounts.

Long-term debt

In the government-wide financial statements, long-term debt is reported as a liability in the statement of net position. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

Compensated absences

Library employees are granted vacation and sick pay in varying amounts based on length of service and union contracts.

Employees may accumulate vacation time until termination of employment, up to a maximum of 240 hours. At the time of termination of their employment, employees are eligible to receive payment for their unused vacation time, at their current hourly rate as of the date of termination.

Employees may accumulate sick leave until termination of employment, up to a maximum of 960 hours. Employees who retire are compensated for 50 percent of their total accumulated sick leave, at their current hourly rate as of the date of retirement.

A liability for compensated absences is reported in the General Fund only if they have matured, for example, as a result of employee resignations and retirements.

Deferred inflows of resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from two sources: property taxes and loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, deferred inflows of resources are reported in the government-wide and governmental fund financial statements for property taxes levied during the year that were intended to finance future periods.

CHIPPEWA RIVER DISTRICT LIBRARY

Notes To Financial Statements

Fund balances

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually require 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. Committed fund balance, if any, is reported for amounts that can be used by specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Board of Trustees. A formal resolution of the Board is required to establish, modify or rescind a fund balance commitment. The Library reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund.

Property taxes

Property taxes are levied July 1, on the taxable valuation of property located in the City of Mt. Pleasant as of the preceding December 31. On July 1, the property tax assessment is an enforceable lien on property and is payable by July 31. The July 2012 levy is recognized as revenue for the year ended December 31, 2012. Property taxes are levied on December 1, on the taxable valuation of property located in Library-served townships located in Isabella County as of the preceding December 31. On December 1, the property tax assessment is an enforceable lien on property and is payable by the last day of the following February. The December 2011 levy is recognized as revenue for the year ended December 31, 2012.

2. BUDGETARY INFORMATION

A comparison to budget is presented for the general fund as required by generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Library. The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles ("GAAP"). General fund expenditures are budgeted at the following classification levels: recreation and cultural, capital outlay, and debt service expenditures.

Adoption and amendments of budgets used by the Library are governed by Public Act 621. Any amendment of the original budget must meet the requirements of Public Act 621. Budgets are adopted by cost center for the general fund. Encumbrance accounting is not utilized by the Library.

3. EXCESS OF EXPENDITURES OVER BUDGET

The general fund had recreation and cultural expenditures exceeding budgeted appropriations by \$231, for the year ended December 31, 2012.

CHIPPEWA RIVER DISTRICT LIBRARY

Notes To Financial Statements

4. DEPOSITS AND INVESTMENTS

	Carrying Amount
Statement of Net Assets	
Cash and cash equivalents	<u>\$ 650,634</u>
Notes to Financial Statements	
Deposits	171,579
Investments	478,385
Cash on hand	<u>670</u>
Total	<u>\$ 650,634</u>

The Library chooses to disclose its investments by specifically identifying each. As of December 31, 2012, the Library had the following investments.

	Maturity in Years	Fair Value	Ratings
Michigan Class Accounts	N/A	\$ 478,385	N/A

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments at Note 1. The Library's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Library's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year-end.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned. State law does not require and the Library does not have a policy for deposit custodial credit risk. As of year-end, the Library's bank balance of \$198,005 was fully insured.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Library does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk, as these investments are uncategorized as to credit risk.

CHIPPEWA RIVER DISTRICT LIBRARY

Notes To Financial Statements

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Library's investment policy does not have specific limits in excess of state law on concentration of credit risk. The Library's investment is in the MBIA Michigan CLASS pool, not the securities that make up the pool. Therefore, there is no concentration of credit risk to be disclosed.

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 120,000	\$ -	\$ -	\$ -	\$ 120,000
Construction in progress	22,472	-	-	(22,472)	-
Total capital assets, not being depreciated	142,472	-	-	(22,472)	120,000
Capital assets, being depreciated:					
Building and improvements	2,888,018	215,647	-	22,472	3,126,137
Equipment and furniture	848,242	42,159	(26,027)	-	864,374
Library materials	1,738,951	144,944	(283,216)	-	1,600,679
	5,475,211	402,750	(309,243)	22,472	5,591,190
Less accumulated depreciation for:					
Building and improvements	(1,227,706)	(65,877)	-	-	(1,293,583)
Equipment and furniture	(641,177)	(50,128)	18,322	-	(672,983)
Library materials	(222,133)	(132,651)	283,216	-	(71,568)
	(2,091,016)	(248,656)	301,538	-	(2,038,134)
Total capital assets being depreciated, net	3,384,195	154,094	(7,705)	22,472	3,553,056
Governmental activities capital assets, net	\$ 3,526,667	\$ 154,094	\$ (7,705)	\$ -	\$ 3,673,056

CHIPPEWA RIVER DISTRICT LIBRARY

Notes To Financial Statements

6. LEASES

The Library entered into a lease agreement as lessee for financing the purchase of a postage machine during 2011. The lease agreement for the postage machine qualifies as a capital lease for accounting purposes and, therefore has been recorded at the present value of the future minimum lease payments as of the inception dates. The lease requires sixteen quarterly payments of \$585 and there is no interest associated with this lease.

During 2011 and 2012, the Library entered into two operating building leases. These leases are month to month leases. Lease expense during the year totaled \$10,200.

7. LONG TERM DEBT

Long-term liability activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Notes payable					
VML renovation loan	\$ 217,668	\$ -	\$ (43,055)	\$ 174,613	\$ 43,076
Shepherd renovation loan	-	200,000	(22,913)	177,087	31,429
Installment purchase - postage machine	10,098	-	(1,908)	8,190	2,340
Compensated absences	97,480	96,226	(97,480)	96,226	11,369
	<u>\$ 325,246</u>	<u>\$ 296,226</u>	<u>\$ (165,356)</u>	<u>\$ 456,116</u>	<u>\$ 88,214</u>

CHIPPEWA RIVER DISTRICT LIBRARY

Notes To Financial Statements

Long-term debt consists of two notes payable to financial institutions, collateralized by deposit accounts. The VML renovation loan is due through February 2017 in monthly installments of \$4,179 including interest charged at 4.5%. The Shepherd renovation loan is due through March 2018 in monthly installments of \$3,066 including interest charged at 3.25%. Compensated absences represent the estimated liability to be paid to employees under the Library’s vacation and sick pay policy. Under the vacation policy, employees earn vacation time based on time of service with the Library. Compensated absences are generally liquidated by the general fund.

Annual principal and interest requirements to service capital lease and debt outstanding as of December 31, 2012, are as follows:

Year Ended December 31,	Principal	Interest
2013	\$ 76,845	\$ 12,435
2014	79,903	9,377
2015	83,090	6,190
2016	75,123	2,909
2017-2018	<u>44,929</u>	<u>1,026</u>
	<u>\$ 359,890</u>	<u>\$ 31,937</u>

8. DEFINED BENEFIT PENSION PLAN

Plan Description

The Library’s defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Library participates in the Municipal Employees Retirement System of Michigan (“MERS”), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy

The obligation to contribute to and maintain the system for union and non-union employees was established by negotiation with the City of Mt. Pleasant’s competitive bargaining units when the Library was a part of the City. The Library continued this funding policy beginning January 1, 2000. The Library is required to contribute at an actuarially determined rate. Employees are required to contribute to the Plan at a rate of 4%. The contribution requirements of the Library are established, and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Library, depending on the MERS contribution program adopted by the Library.

CHIPPEWA RIVER DISTRICT LIBRARY

Notes To Financial Statements

Annual Pension Cost

For the year ending December 31, 2012, the Library's annual pension cost of \$35,800 for MERS was equal to the Library's required and actual contribution. The required contribution was determined as part of the December 31, 2009, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0% and (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The Library's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011, the date of the latest actuarial valuation, was 10 years.

Three-Year Trend Information			
Years Ended December 31,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Asset
2010	\$ 42,722	100%	-
2011	35,712	100%	-
2012	35,800	100%	-

Funded Status and Funding Progress. As of December 31, 2011, the most recent valuation date, the Plan was 103% funded. The actuarial accrued liability for benefits was \$2,270,095 and the actuarial value of assets was \$2,330,397, resulting in an unfunded actuarial accrued liability of (\$60,302), which means the Plan is over-funded. The covered payroll (annual payroll for active employees covered by the Plan) was \$694,774 and the ratio for the UAAL to the covered payroll was -9%.

9. 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; injuries to employees and natural disasters. The Library carries commercial insurance for risks to cover these losses. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

10. COMMITMENTS AND CONTIGENCIES

In the normal course of operations, the Library becomes a party to various claims and lawsuits. In the opinion of the legal counsel and Library management, the ultimate resolution of such matters would not have a material effect on the financial position of the Library. There were no pending claims or lawsuits during the year ended December 31, 2012.

CHIPPEWA RIVER DISTRICT LIBRARY

Notes To Financial Statements

11. ADJUSTMENTS

Following is an explanation of the adjustments between the governmental fund balance sheet and the government-wide statement of net position, which reconciles fund balance to net position:

Governmental fund balance	\$ 557,202
Adjustments:	
Capital assets	5,711,190
Accumulated depreciation	(2,038,134)
Accrued interest payable	(198)
Deferred revenue on taxes receivable	22,244
Installment purchase	(8,190)
Note payable	(351,700)
Accrued compensated absences	<u>(96,226)</u>
Net assets of governmental activities	<u>\$ 3,796,188</u>

Following is an explanation of the adjustments between the governmental fund revenues, expenditures and changes in fund balance and the government-wide statement of activities, which reconciles fund balance to net position:

Change in fund balance	\$ 127,623
Adjustments:	
Capital outlay expense	402,750
Depreciation expense	(248,656)
Principal paid on notes	67,876
Change in accrued interest payable	20
Change in deferred revenue related to taxes receivable	3,329
Loss from disposal of capital lease	(7,705)
Change in compensated absences	1,254
Proceeds from financing sources	<u>(200,000)</u>
Change in net position	<u>\$ 146,491</u>

CHIPPEWA RIVER DISTRICT LIBRARY

Notes To Financial Statements

12. NET ASSETS INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

The composition of net position invested in capital assets, net of related debt as of December 31, 2012, was as follows:

Capital assets:	
Assets not being depreciated	\$ 120,000
Assets being depreciated, net	<u>3,553,056</u>
Total capital assets, net	<u>3,673,056</u>
Related debt:	
Due within one year	76,845
Due after one year	<u>283,045</u>
Total related debt	<u>359,890</u>
Invested in capital assets, net of capital-related debt	<u><u>\$ 3,313,166</u></u>

13. IMPLEMENTATION OF NEW STANDARDS

The Library adopted the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and No. 65, Items Previously Reported as Assets and Liabilities, in the current year. While the classification of certain financial elements in the financial statements were revised, the implementation of this standard had no effect on total equity.



REQUIRED SUPPLEMENTARY INFORMATION

CHIPPEWA RIVER DISTRICT LIBRARY

Required Supplementary Information

Municipal Employees Retirement System of Michigan

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2005	\$ 1,404,422	\$ 1,319,024	\$ (85,398)	106%	\$ 679,047	-13%
2006	1,594,414	1,527,204	(67,210)	104%	715,096	-9%
2007	1,750,098	1,640,886	(109,212)	107%	704,138	-16%
2008	1,887,177	1,790,329	(96,848)	105%	741,401	-13%
2009	2,048,285	1,876,768	(171,517)	109%	786,631	-22%
2010	2,230,090	2,077,496	(152,594)	107%	756,946	-20%
2011	2,330,397	2,270,095	(60,302)	103%	694,774	-9%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31,	Annual Required Contribution	Percentage Contributed
2006	\$ 41,752	100%
2007	33,131	100%
2008	39,163	100%
2009	35,870	100%
2010	42,722	100%
2011	35,712	100%
2012	35,800	100%

SUPPLEMENTARY INFORMATION

CHIPPEWA RIVER DISTRICT LIBRARY

Schedule of Expenditures - Budget to Actual - General Fund

For the Year Ended December 31, 2012

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Recreation and cultural				
Personnel expenditures	\$ 999,455	\$ 979,040	\$ 979,040	\$ -
Fringe benefits	260,885	217,430	217,431	1
Supplies	87,220	92,435	92,432	(3)
Contracted services	237,750	327,315	327,315	-
Other operating expenditures	144,335	138,855	139,088	233
Total recreation and cultural	1,729,645	1,755,075	1,755,306	231
Capital outlay				
Library materials	213,580	185,435	186,564	1,129
Capital outlay	16,650	248,860	247,371	(1,489)
Memorials/donations	-	14,273	14,271	(2)
Total capital outlay	230,230	448,568	448,206	(362)
Debt service				
Principal	52,700	81,625	67,876	(13,749)
Interest	-	-	13,749	13,749
Total debt service	52,700	81,625	81,625	-
Total expenditures	\$ 2,012,575	\$ 2,285,268	\$ 2,285,137	\$ (131)

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE
UNDER SAS NO. 114**

May 22, 2013

To the Board of Trustees
Chippewa River District Library

We have audited the financial statements of *Chippewa River District Library* (the "Library") for the year ended December 31, 2012, and have issued our report thereon dated May 22, 2013. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated December 14, 2012, 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 accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Library. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters on April 15, 2013.

Significant Results of the Audit

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Library are described in Note 1 to the financial statements. As described in Note 13 to the financial statements, the Library changed accounting policies related to financial statement presentation by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*. These accounting changes have no cumulative effect on the financial statements. We noted no transactions entered into by the Library during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- The assumptions used in the actuarial valuations of the pension plan are based on historical trends and industry standards.

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

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. We did not identify any misstatements during our audit.

To the Board of Trustees
Chippewa River District Library
May 22, 2013
Page 3

Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment A to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 attached management representation letter dated May 22, 2013.

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 entity'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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of the Chippewa River District Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Chippewa River District Library

■ Attachment A - Upcoming Changes in Accounting Standards

For the December 31, 2012 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the Library in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the Library. For the complete text of these and other GASB standards, visit www.gasb.org and click on the “pronouncements” tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB 66 ■ 2012 Technical Corrections (an Amendment to GASB 10 and GASB 62) *Effective 12/15/2013 (your FY 2013)*

This standard was issued to eliminate conflicting guidance that resulted from the issuance of GASB 54 and GASB 62, which are both already effective. GASB 10 was amended to allow for risk financing activities to be accounted for in whichever fund type is most applicable (no longer limited to the general fund or an internal service fund). GASB 62 was amended to modify specific guidance related to (1) operating leases with scheduled rent increases, (2) purchase of loans at an amount other than the principal amount, and (3) service fees related to mortgages that are sold when the service rate varies significantly from the current (normal) service fees.

We do not expect GASB 66 to have any significant impact on the Library at this time.

GASB 67 ■ Financial Reporting for Pension Plans *Effective 06/15/2014 (your FY 2014)*

This standard establishes the requirements for pension plans administered by trusts to report on their operations, including setting new uniform requirements for actuarial valuations of the total pension liability, and reporting various 10-year trend data as required supplementary information. The financial statements of pension plans will not change substantially as a result of GASB 67, though the additional note disclosures and required supplementary information will be significant. Additionally, actuarial valuations conducted in accordance with GASB 67 will have to match the government’s fiscal year, or be rolled forward to that date by the actuary.

Because the Library does not maintain its own pension trust fund, we do not expect GASB 67 to have any significant impact on the Library at this time.

GASB 68 ■ Accounting and Financial Reporting for Pensions *Effective 06/15/2015 (your FY 2015)*

This standard establishes new requirements for governments to report a “net pension liability” for the unfunded portion of its pension plan. Governments that maintain their own pension plans (either single employer or agent multiple-employer) will report a liability for the difference between the total pension liability calculated in accordance with GASB 67 and the amount held in the pension trust fund. Governments that participate in a cost sharing plan will report a liability for their “proportionate share” of the net pension liability of the entire system.

Historically, governments have only been required to report a net pension obligation to the extent that they have not met the annual required contribution (ARC) in any given year. Upon implementation of this standard, governments will be required to report a net pension liability based on the current funded status of their pension plans. This liability would be limited to the government-wide financial statements. Changes in this liability from year to year will largely be reflected on the income statement, though certain amounts will be deferred and amortized over varying periods.

Chippewa River District Library

■ Attachment A - Upcoming Changes in Accounting Standards

For the December 31, 2012 Audit

GASB 68 also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The methods used to determine the discount rate (the assumed rate of return on plan assets held in trust) are mandated and must be disclosed, along with what the impact would be on the net pension liability if that rate changed by 1% in either direction. Other new disclosure requirements include details of the changes in the components of the net pension liability, comparisons of actual employer contributions to actuarially determined contributions, and ratios to put the net pension liability in context. For single-employer and agent multiple-employer plans, the information for these statements will come from the annual actuarial valuation. For cost sharing plans, this information will be derived from the financial reports of the plan itself, multiplied by the government's proportionate share of plan.

GASB 67 and 68 are only applicable to pension plans. However, the GASB has announced its intent to issue similar standards for other postemployment benefits (e.g., retiree healthcare) on a two year delay from these standards.

GASB 69 ■ Government Combinations and Disposals of Government Operations

Effective 12/15/2014 (your FY 2014)

This standard provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity.

Given the infrequent nature of these types of events, we do not expect this standard to have any impact on the Library at this time.





CHIPPEWA RIVER DISTRICT LIBRARY
www.crdl.org

May 22, 2013

Rehmann Robson
P.O. Box 2025
Saginaw, MI 48605

We are providing this letter in connection with your audit of the financial statements of Chippewa River District Library (the "Library"), as of December 31, 2012 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Chippewa River District Library and the respective changes in financial position and, where applicable, cash flows thereof in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

We confirm, as of May 22, 2013, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We have made available to you all—
 - a. Financial records and related data.
 - b. Minutes of the meetings of the Library Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
5. We are in agreement with the adjusting journal entries you have proposed, and they have been posted.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

Veterans Memorial Library
301 South University Avenue
Mount Pleasant, MI 48858
989.773.3242

Faith Johnston Memorial Library
4035 North Mission, P.O. Box 147
Rosebush, MI 48878
989.433.0006

Fremont Township Library
2833 West Blanchard Road, P.O. Box 368
Winn, MI 48896
Phone/Fax: 989-866-2550

Rolland Township Library
324 Main, P.O. Box 39
Blanchard, MI 49310
Phone/Fax: 989-561-2480

Shepherd Community Library
257 West Wright Avenue
Shepherd, MI 48883
Phone/Fax: 989-828-6801

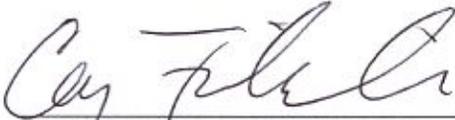
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7. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
9. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
10. The Library has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
11. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
 - b. Guarantees, whether written or oral, under which the Library is contingently liable.
 - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances.
12. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
13. There are no—
 - a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

- b. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with generally accepted accounting principles, and we have not consulted a lawyer concerning litigation, claims, or assessments.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by generally accepted accounting principles.
14. As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
 15. The Library has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
 16. The Library has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
 17. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
 18. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
 19. The financial statements properly classify all funds and activities.
 20. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
 21. Components of net assets (invested in capital assets, net of related debt; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
 22. Investments, derivative transactions, and land and other real estate held by endowments are properly valued.
 23. Provisions for uncollectible receivables have been properly identified and recorded.
 24. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
 25. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
 26. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
 27. Deposits and investments are properly classified as to risk and are properly disclosed.

28. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
29. We have appropriately disclosed the Library's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available and have determined that net assets were properly recognized under the policy.
30. We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
31. We acknowledge our responsibility for the required supplementary information (RSI). The required supplementary information is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
32. We have evaluated the Library's ability to continue as a going concern and have included appropriate disclosures, as necessary, in the financial statements.
33. Expenditures of federal awards were below the \$500,000 threshold in the audit period and we were not required to have an audit in accordance with OMB Circular A-133.
34. We have evaluated and classified any subsequent events as recognized or nonrecognized through the date of this letter. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.



Corey Friedrich, Interim Director



Kristin Ellison, Finance Director