

PUTNAM DISTRICT LIBRARY
FINANCIAL STATEMENTS
For the year ended March 31, 2020

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WALKER, FLUKE & SHELDON, PLC

CERTIFIED PUBLIC ACCOUNTANTS

Building Trust, Delivering Integrity, One Handshake at a Time.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Putnam District Library
Nashville, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Putnam District Library, Nashville, Michigan, as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise Putnam District Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 each major fund of Putnam District Library, as of March 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages three through five and page seventeen, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hastings, Michigan
August 10, 2020

Walker, Fiske & Shodor, P.C.

Management's Discussion and Analysis

As the Board of Putnam District Library, we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of Putnam District Library for the fiscal year ended March 31, 2020. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Library. We encourage readers to consider this information in conjunction with the letter of transmittal, which begins on page 1, and the financial statements, which begin on page 6.

Financial Highlights

- The assets of Putnam District Library exceeded its liabilities at the close of the most recent fiscal year by \$468,925 (net position) compared to \$429,147 from the prior year. Of this amount, \$435,055 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$39,778 compared to an increase of \$38,053 from the prior year.
- As of the close of the current fiscal year, the Library's governmental fund reported an ending fund balance of \$436,124 an increase of \$26,304 compared to a fund balance of \$409,820 an increase of \$38,594 from the prior year.

The basic financial statements include information that presents two different views of the Library:

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These Fund Financial Statements focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method.
- The government wide financial statement columns provide both long-term and short-term information about the Library's overall financial status. The statement of net position and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short-term as well as what remains for future spending.

The financial statements can be found on pages 6-7 of this report.

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 8-16 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The Library adopts an annual budget for its general fund. Within the required supplementary information, a budget comparison statement has been provided for the general fund to demonstrate compliance with the budget.

Required supplementary information can be found on page 17 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 Putnam District Library, assets exceeded liabilities by \$468,925 at the close of the most recent fiscal year.

A large portion of the Library's net position (92.78 percent) reflects its unrestricted net position (\$435,055), which may be used to meet the government's ongoing obligations to citizens and creditors. A small portion of the library's net position (.23 percent) is net position that is restricted by donor requirements (\$1,069). The remaining portion of the Library's net position (6.99 percent) reflects its investment in capital assets (e.g. land, buildings, equipment and furniture and fixtures) (\$32,801). The Library uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Putnam District Library's Condensed Financial Data

	2020 Governmental Activities	2019 Governmental Activities
Current and Other Assets	\$ 438,101	\$ 410,037
Capital Assets	32,801	19,327
Total Assets	470,902	429,364
Liabilities	1,977	217
Net Position		
Invested in Capital Assets, Net of Related Debt	32,801	19,327
Restricted	1,069	1,618
Unrestricted	435,055	408,202
Total Net Position	\$ 468,925	\$ 429,147
Expenditures/Expenses		
Governmental Activities		
Recreation and Cultural	\$ 119,696	\$ 112,153
Total Expenditures/Expenses	119,696	112,153
Program Revenues		
Library Fines, Fees, Rentals and Sales	5,309	5,218
Operating Grants	3,400	3,284
Contributions and Donations	5,234	2,016
General Revenues		
Property Taxes	114,878	111,278
State Aid	5,488	5,246
Penal Fines	3,792	4,168
Interest and Rentals	5,851	5,665
Other Revenue	15,522	12,886
Gain on Sale of Fixed Assets	-	445
Total Revenues	159,474	150,206
Change in Net Position	\$ 39,778	\$ 38,053

At the end of the current fiscal year, the Library is able to report positive balances in all categories of net position.

Governmental activities. Governmental activities increased the Library's net position by \$39,778 mainly due to increased property tax revenue from the millage that the citizens approved three years ago and consistent controlled spending.

Financial Analysis of the Library's Funds

As noted earlier, the Library used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Library's governmental funds is to provide information on 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 Library'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 \$436,124, an increase of \$26,304 in comparison with the prior year. This increase was due to an increase in property tax and refund revenue.

The general fund is the only fund of the Library. At the end of the current fiscal year, unassigned fund balance of the general fund was \$435,055 and the total fund balance was \$436,124. Unassigned fund balance represents 326.69% of the total general fund expenditures.

Library Budgetary Highlights

The Library board made two minor amendments to its expenditure budget line items with an increase of \$3,700 in supplies and computer expenses, an increase of \$500 in dues, and a decrease of \$700 in capital outlay.

Capital Assets

The Library's investment in capital assets for its governmental activities as of March 31, 2020, amounts to \$32,801 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements, furniture and computer equipment.

During the 2019-2020 fiscal year, the library purchased and installed a new server. Details of the Library's capital assets are continued in the notes to the financial statements on page 13.

Economic Factors and Next Year's Budgets and Rates

The Library Board of Putnam District Library anticipates revenue for 2021-2022 to potentially decrease slightly due to the COVID 19 pandemic. A decrease in revenue from state and federal funding could also be possible, and is accounted for in the 2021-22 budget. Expenses are expected to be higher in the 2021-2022 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Putnam District Library's finances for all those with an interest in the Library's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Putnam District Library, 327 North Main Street, Nashville, MI 49073 517-852-9723.

**PUTNAM DISTRICT LIBRARY
GOVERNMENTAL FUND BALANCE SHEET/
STATEMENT OF NET POSITION
March 31, 2020**

ASSETS	General Fund	Adjustments (See Notes)	Statement of Net Position
Cash and Cash Equivalents	\$ 144,963	\$ -	\$ 144,963
Investments	279,226	-	279,226
Taxes Receivable	10,125	-	10,125
Due from State	2,718	-	2,718
Restricted Assets	1,069	-	1,069
Capital Assets (Net of Accumulated Depreciation)	-	32,801	32,801
Total Assets	\$ 438,101	32,801	470,902
LIABILITIES			
Accounts Payable	\$ -	-	-
Accrued Liabilities	1,977	-	1,977
Total Liabilities	1,977	-	1,977
FUND BALANCE / NET POSITION			
Fund Balances			
Restricted	1,069	(1,069)	-
Unassigned	435,055	(435,055)	-
Total Fund Balance	436,124	(436,124)	-
Total Liabilities and Fund Balance	\$ 438,101		
Net Position			
Invested in Capital Assets-Net of Related Debt		32,801	32,801
Restricted		1,069	1,069
Unrestricted		435,055	435,055
Total Net Position		\$ 468,925	\$ 468,925

The Notes to Financial Statements are an integral part of this statement.

PUTNAM DISTRICT LIBRARY
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2020

	<u>General Fund</u>	<u>Adjustments (See Notes)</u>	<u>Statement of Activities</u>
Revenues			
Property Taxes	\$ 114,878	\$ -	\$ 114,878
State Aid	5,488	-	5,488
Penal Fines	3,792	-	3,792
Contributions and Donations	5,234	-	5,234
Library Fines, Fees, Rentals and Sales	5,309	-	5,309
Operating Grants	3,400	-	3,400
Interest and Rentals	5,851	-	5,851
Other Revenue	<u>15,522</u>	<u>-</u>	<u>15,522</u>
 Total Revenues	 <u>159,474</u>	 <u>-</u>	 <u>159,474</u>
Expenditures			
Current:			
Recreation and Cultural			
Wages and Fringes	71,667	-	71,667
Supplies and Computer Expenses	9,046	-	9,046
Library Books and Other Materials	6,829	-	6,829
Dues	3,194	-	3,194
Program Expenses	4,543	-	4,543
Repairs and Maintenance	2,262	-	2,262
Professional Fees	2,790	-	2,790
Education and Travel	95	-	95
Insurance	1,007	-	1,007
Telephone and Internet	10,750	-	10,750
Utilities	3,582	-	3,582
Capital Outlay	17,405	(17,405)	-
Depreciation	<u>-</u>	<u>3,931</u>	<u>3,931</u>
 Total Expenditures	 <u>133,170</u>	 <u>(13,474)</u>	 <u>119,696</u>
Excess of Revenues Over (Under)			
Expenditures / Change in Net Position	26,304	13,474	39,778
 Fund Balance/Net Position - Beginning of Year	 <u>409,820</u>	 <u>19,327</u>	 <u>429,147</u>
 Fund Balance/Net Position - End of Year	 <u>\$ 436,124</u>	 <u>\$ 32,801</u>	 <u>\$ 468,925</u>

The Notes to Financial Statements are an integral part of this statement.

**PUTNAM DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
March 31, 2020**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Putnam District 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 used by the Library:

REPORTING ENTITY

The Library is located in the Village of Nashville, Michigan and is governed by an appointed six-member board. The Library is primarily funded through a tax levy, state aid and grants, fines and fees, and charitable contributions. Revenue is used to operate and staff the Library. The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes and intergovernmental revenues.

The statement of net position includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. Putnam District Library's net position is reported in three parts: invested in capital assets net of related debt, restricted net position and unrestricted net position.

The statement of activities demonstrates the degree to which the direct expenses have a given function or segment and are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Revenues are primarily derived from charges for services and interest and rentals to provide for the administration and operation of: (1) general Putnam District Library governmental departments and (2) library operation.

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. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Putnam District Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**PUTNAM DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
March 31, 2020**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION
(Continued)

Putnam District Library reports the following major governmental funds:

- The General Fund is Putnam District Library's primary operating fund. It accounts for all financial resources of Putnam District Library.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privilege provided.

Taxes Receivable - The Library's property taxes are levied and become a lien on each December 1 based on the taxable valuation of property located in the Library's service area as of the preceding December 31st. These taxes are collected by the Townships and are due on February 28. After that date, they are added to the county delinquent tax rolls.

The 2019 State taxable valuation of the Library totaled \$115,553,253 on which ad valorem taxes levied consisted of 0.9984 mills for Library operating purposes, raising \$114,878. This amount is recognized in the General Fund financial statements as current property tax revenue. The delinquent real property taxes of the Library are purchased by Barry County.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Bank Deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Inexhaustible Collections and Books - Because the values of the existing inexhaustible collections, including research books, are not readily determinable, the library has not capitalized them. Accessions and de-accessions during the fiscal year were not significant. Books used in the circulating library have not been capitalized because their estimated useful lives are less than one year.

Restricted Assets - The Library had funds restricted for technology improvements to the library. These funds were received from a grant and were fully expended during the current year. The Library also received a private donation for the display and preservation of local history. Part of this donation has not yet been expended. Finally, the library has funds for the Library's Lego program that were not spent during the current year. The Library cannot change the amounts restricted and cannot spend the restricted funds for anything other than restricted purposes.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Furniture	5 - 20 years
Improvements	20 years
Data Processing Equipment	3 - 5 years

**PUTNAM DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
March 31, 2020**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Fund Equity - In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise 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. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- **Committed:** Amounts that have been formally set aside by the board for use for specific purposes. Commitments are made and can be rescinded only via resolution of the board.
- **Assigned:** Amounts that are for specific purposes expressed by the board, or the director, who is authorized by resolution approved by the board to make assignments.
- **Unassigned:** All other amounts available for any purpose.

Restricted/Unrestricted Resources - When expenses are incurred for which both restricted and unrestricted resources are available, it is the Library's policy to first apply restricted resources. Once restricted resources are exhausted, the Library's policy is to apply unrestricted resources in the following order: committed, assigned, and unassigned.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The Library Board prepares the annual budgets prior to March 31. A Public Hearing is conducted to obtain taxpayers' comments. The budget documents present information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the line-item level.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETED FUNDS

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2020, the Library did not expend funds beyond budgeted limits.

PUTNAM DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

ENCUMBRANCE ACCOUNTING

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by Putnam District Library.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91, authorizes Putnam District Library to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Putnam District Library has designated two banks and one federal savings bank for the deposit of Putnam District Library funds.

Putnam District Library's deposits and investments are in accordance with statutory authority.

At year-end, Putnam District Library's deposits and investments were reported in the financial statements in the following categories:

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>TOTAL PRIMARY GOVERNMENT</u>
Cash and Cash Equivalents	\$ 144,963	\$ 144,963
Investments	279,226	279,226
Restricted Assets	<u>1,069</u>	<u>1,069</u>
Total	<u>\$ 425,258</u>	<u>\$ 425,258</u>

**PUTNAM DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
March 31, 2020**

DEPOSITS AND INVESTMENTS (Continued)

The breakdown between deposits and investments are:

	<u>TOTAL PRIMARY GOVERNMENT</u>
Cash and Cash Equivalents (Checking and Savings Accounts, Certificates of Deposit)	\$ 362,186
Investment in Securities (U.S. Securities)	63,072
Petty Cash and Cash on Hand	<u>-</u>
Total	<u>\$ 425,258</u>

Custodial Credit Risk as Related to Cash Equivalents - Custodial credit risk is the risk that Putnam District Library will not be able to recover its deposits in the event of financial institution failure. Putnam District Library's deposits are exposed to the custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2020, Putnam District Library has deposits with a carrying amount of \$425,258 and a bank balance of \$362,574. Of the bank balance, \$362,574 is covered by federal depository insurance and \$0 is uninsured and \$0 is collateralized. Putnam District 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.

As of March 31, 2019, the Library had the following investments:

<u>INVESTMENT TYPE</u>	<u>FAIR VALUE</u>	<u>INVESTMENT MATURITY</u>			
		<u>LESS THAN 1 YEAR</u>	<u>1-5 YEARS</u>	<u>6-10 YEARS</u>	<u>MORE THAN 10 YEARS</u>
Debt Securities:					
U.S. Savings Bonds	\$ 63,072	\$ -	\$ -	\$ -	\$ 63,072
Total	<u>\$ 63,072</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,072</u>

It is the policy of Putnam District Library to invest in public funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to state and local statutes governing the investment of public funds.

Interest Rate Risk - The Library does not have an investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Library minimizes interest rate risk by only investing in U.S. Securities.

Custodial Credit Risk Related to Investments - Custodial credit risk is the risk that Putnam District Library will not be able to recover its deposits in the event of failure of the counterparty. The Library minimizes custodial credit risk by limiting investments to those permitted by Public Act 314 of 1965 and by only doing business with investment managers that agree to comply with all relevant laws and regulations, the Library's investment policy and the Library's objectives. The Library has no amounts subject to custodial credit risk.

Credit Risk - Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligation. The Library does not have an investment policy to mitigate credit risk; however, the only investments held by the Library are U.S. Securities.

**PUTNAM DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
March 31, 2020**

CAPITAL ASSETS

Capital asset activity for the current year was as follows:

	<u>BALANCE 4/1/2019</u>	<u>ADDITIONS</u>	<u>RETIRE- MENTS</u>	<u>BALANCE 3/31/2020</u>
Capital Assets Being Depreciated				
Leasehold Improvements	\$ 4,358	\$ -	\$ -	\$ 4,358
Data Processing Equipment	12,055	-	-	12,055
Furniture	<u>21,700</u>	<u>17,405</u>	<u>-</u>	<u>39,105</u>
 Subtotal	 38,113	 17,405	 -	 55,518
 Less: Accumulated Depreciation	 <u>18,786</u>	 <u>3,931</u>	 <u>-</u>	 <u>22,717</u>
 Capital Assets-Net of Depreciation	 <u>\$ 19,327</u>	 <u>\$ 13,474</u>	 <u>\$ -</u>	 <u>\$ 32,801</u>

Depreciation expense was charged to programs as follows:

Governmental Activities:	
Recreation and Cultural	<u>\$ 3,931</u>
 Total Governmental Activities	 <u>\$ 3,931</u>

RISK MANAGEMENT

Putnam District Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. Putnam District Library manages its risk exposure through commercial insurance. Settled claims did not exceed the amount of insurance coverage for the year ended March 31, 2020.

FUNDS WITH BARRY COMMUNITY FOUNDATION

Putnam District Library has an endowment fund held through the Barry Community Foundation. This endowment fund is called the Alice Keihl Memorial Endowment Fund and the funds are restricted to use for the support of the charitable, scientific, literary or educational purposes of the Putnam District Library. As of March 31, 2020, the balance in this account was \$36,449, of which \$13,371 represents spendable net assets that can be received on demand and the remaining \$23,078 represents non-spendable endowment net assets. As of March 31, 2019, the balance in this account was \$36,828. Putnam District Library is subject to a 1% administrative fee, which is withdrawn from their account each year.

**PUTNAM DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
March 31, 2020**

RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of Putnam District Library's governmental fund differs from net position and changes in net position of the governmental activities reported in the statement of net position and statement of activities. This difference primarily results from the long-term focus of the statement of net position and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance.

The following is a reconciliation of fund balance to net position:

Total Fund Balance - Modified Accrual Basis	\$ 436,124
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Amounts reported in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds

Governmental capital assets	\$ 55,518	
Less: accumulated depreciation	<u>(22,717)</u>	<u>32,801</u>

Net Position of General Fund - Full Accrual Basis	<u>\$ 468,925</u>
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The following is a reconciliation of the net change in fund balance to the net change in net position:

Net Change in Fund Balance - Modified Accrual Basis	\$ 26,304
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives

Expenditures for capital assets	\$ 17,405	
Less: current year depreciation	<u>(3,931)</u>	<u>13,474</u>

Change in Net Position of General Fund - Full Accrual Basis	<u>\$ 39,778</u>
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SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. Due to this, economic uncertainties have arisen that may negatively affect the Library. The Library expects this to negatively impact its operations and financial condition however the extent of this impact cannot be reasonably estimated at this time

ACCOUNTING PRONOUNCEMENTS

GASB issued Statement No. 84, *Fiduciary activities*. This standard seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This standard will be effective in 2021. The Library does not believe that this standard will have any impact on its financial statements.

PUTNAM DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

ACCOUNTING PRONOUNCEMENTS (Continued)

GASB issued Statement No 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognize as inflows of resources or outflows of resources based on the payment provisions of the contract. This standard will be effective in 2023. The Library is currently evaluating this standard and the impact on its financial statements.

GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. This statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The standard will be in effect for 2022. The Library does not believe that this standard will have any impact on its financial statements.

GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement established accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62. This statement requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. The standard will be in effect for 2022. The Library does not believe that this standard will have any impact on its financial statements.

GASB issued Statement No. 90, *Majority Equity Interest – An Amendment of GASB No. 14 and No. 16*. The objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The standard will be in effect for 2021. The Library does not believe that this standard will have any impact on its financial statements.

GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The standard will be in effect for 2023. The Library does not believe that this standard will have any impact on its financial statements.

GASB issued Statement No. 92, *Omnibus*. The objectives of this statement are to enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. The standard will be in effect for 2023. The Library is currently evaluating this standard and the impact on its financial statements.

GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objectives of this statement is to address those and other accounting and financial reporting implication that result from the replacement of an interbank offered rate (IBOR). The standard will be in effect for 2022. The Library does not believe that this standard will have any impact on its financial statements.

GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objectives of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The standard will be in effect for 2024. The Library does not believe that this standard will have any impact on its financial statements.

PUTNAM DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

ACCOUNTING PRONOUNCEMENTS (Continued)

GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The objectives of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first become effective or are scheduled to become effective for periods beginning after June 15, 2018 and later. The Library is currently evaluating this standard and the impact on its financial statements.

GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The standard will be in effect for 2024. The Library is currently evaluating this standard and the impact on its financial statements.

**PUTNAM DISTRICT LIBRARY
BUDGETARY COMPARISON SCHEDULE
For the Year Ended March 31, 2020**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning of Year Fund Balance	\$ 409,820	\$ 409,820	\$ 409,820	\$ -
Resources (Inflows)				
Property Taxes	108,000	108,000	114,878	6,878
State Aid	4,500	4,500	5,488	988
Penal Fines	4,000	4,000	3,792	(208)
Contributions and Donations	2,600	2,600	5,234	2,634
Library Fines, Fees, Rentals and Sales	5,200	5,200	5,309	109
Operating Grants	3,548	3,548	3,400	(148)
Interest and Rentals	100	100	5,851	5,751
Other Revenue	<u>11,000</u>	<u>11,000</u>	<u>15,522</u>	<u>4,522</u>
Total Resources	<u>138,948</u>	<u>138,948</u>	<u>159,474</u>	<u>20,526</u>
Charges to Appropriations (Outflows)				
Current:				
Recreation and Cultural				
Wages and Fringes	78,500	78,500	71,667	6,833
Supplies and Computer Expenses	7,048	10,748	9,046	1,702
Library Books and Other Materials	7,500	7,500	6,829	671
Dues	3,000	3,500	3,194	306
Program Expenses	5,650	5,650	4,543	1,107
Repairs and Maintenance	5,500	5,500	2,262	3,238
Professional Fees	2,800	2,800	2,790	10
Education and Travel	1,000	1,000	95	905
Insurance	1,200	1,200	1,007	193
Telephone and Internet	11,500	11,500	10,750	750
Utilities	4,500	4,500	3,582	918
Capital Outlay	<u>19,000</u>	<u>18,300</u>	<u>17,405</u>	<u>895</u>
Total Charges to Appropriations	<u>147,198</u>	<u>150,698</u>	<u>133,170</u>	<u>17,528</u>
Excess of Resources Over (Under) Appropriations	<u>(8,250)</u>	<u>(11,750)</u>	<u>26,304</u>	<u>38,054</u>
Budgetary Fund Balance - March 31, 2020	<u>\$ 401,570</u>	<u>\$ 398,070</u>	<u>\$ 436,124</u>	<u>\$ 38,054</u>

The Notes to Financial Statements are an integral part of this statement.