

**INTERLOCHEN PUBLIC LIBRARY**

**INTERLOCHEN, MICHIGAN**

**DECEMBER 31, 2022**



**Baird, Cotter & Bishop, P.C.**  
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS  
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INTERLOCHEN PUBLIC LIBRARY

INTERLOCHEN, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED DECEMBER 31, 2022

TABLE OF CONTENTS

	<u>PAGE</u>
<b>Independent Auditor’s Report</b>	i-iii
<b>Management’s Discussion and Analysis</b>	iv-ix
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3
Reconciliation of the Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	6
Notes to Financial Statements	7-15
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund	16



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February 7, 2023

## INDEPENDENT AUDITOR'S REPORT

To the Library Board  
Interlochen Public Library  
Grand Traverse County  
Interlochen, Michigan

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and the major fund of Interlochen Public Library, Grand Traverse County, Interlochen, Michigan as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

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 Interlochen Public Library, as of December 31, 2022, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Interlochen Public Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Interlochen Public Library's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Interlochen Public Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Interlochen Public Library's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***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 iv-ix and 16 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2023, on our consideration of Interlochen Public Library, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Interlochen Public Library, Michigan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Interlochen Public Library, Michigan's internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

INTERLOCHEN PUBLIC LIBRARY, GRAND TRAVERSE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED DECEMBER 31, 2022

As management of Interlochen Public Library (“the Library”), we offer readers of the Library’s financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended December 31, 2022. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

**Financial Highlights**

- ❖ The assets of the Library exceeded its liabilities at the close of the most recent fiscal year by \$2,856,004 (*net position*). Of this amount, \$187,350 represents unrestricted net position.
- ❖ At the close of the current fiscal year, the Library’s governmental funds reported an ending fund balance of \$187,350, an increase of \$26,864 in comparison with the prior year.
- ❖ At the end of the current fiscal year, unrestricted fund balance (the total of *committed, assigned, and unassigned* components of fund balance) for the general fund was \$184,307.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Interlochen Public Library’s basic financial statements. The Library’s basic financial statements consist of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional details to support the basic financial statements themselves.

**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 financial information on all of the Library’s assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, 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 Library’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods.

The government-wide financial statements can be found on pages 1-2 of this report.

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

**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*

INTERLOCHEN PUBLIC LIBRARY, GRAND TRAVERSE COUNTY

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED DECEMBER 31, 2022

*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 assessing 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* with similar information presented for *governmental activities* in the 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 Library maintains one governmental fund, the General Fund, which is considered to be a major fund.

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

The basic governmental fund financial statements can be found on pages 3-6 of this report.

**Notes to Financial Statements** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the governmental-wide and fund financial statements. The notes can be found on pages 7-15 of this report.

**Other Information** In addition to the basic financial statements and accompanying notes, this report also presents *Required Supplementary Information* (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Overall Financial Analysis**

As noted earlier, net position over time, may serve as a useful indicator of a government’s financial position. In the case of Interlochen Public Library, assets exceeded liabilities by \$2,885,082, at the close of the most recent fiscal year.

**Interlochen Public Library  
Net Position  
December 31,**

	<b>2022</b>	<b>2021</b>
<b><u>Assets</u></b>		
Current Assets	\$ 213,249	\$ 203,931
Non Current Assets		
Capital Assets	3,064,246	3,046,925
Less: Accumulated Depreciation	(395,592)	(322,329)
Total Non Current Assets	2,668,654	2,724,596
<b>Total Assets</b>	2,881,903	2,928,527

INTERLOCHEN PUBLIC LIBRARY, GRAND TRAVERSE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED DECEMBER 31, 2022

**Interlochen Public Library  
Net Position  
December 31,**

	<u>2022</u>	<u>2021</u>
<b><u>Liabilities</u></b>		
Current Liabilities	25,899	43,445
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	2,668,654	2,724,596
Unrestricted	187,350	160,486
<b>Total Net Position</b>	<u>\$ 2,856,004</u>	<u>\$ 2,885,082</u>

The largest portion of the Library's net position is made up of its net investment in capital assets (e.g. furniture and fixtures, equipment and circulating materials). The Library uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

The remaining balance of \$187,350 is unrestricted.

At the end of the current fiscal year, the Library reported a positive balance in the unrestricted net position of the governmental activities. The same situation held true for the prior fiscal year.

Interlochen Public Library's overall net position decreased by \$29,078 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for the governmental activities.

**Interlochen Public Library  
Change in Net Position  
Years Ended December 31,**

	<u>2022</u>	<u>2021</u>
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$ 3,111	\$ 3,066
Operating Grants and Contributions	260,702	218,089
General Revenues		
State Sources	6,588	5,016
Interest	1,733	1,229
Other	64,278	57,846
<b>Total Revenues</b>	<u>336,412</u>	<u>285,246</u>



INTERLOCHEN PUBLIC LIBRARY, GRAND TRAVERSE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED DECEMBER 31, 2022

**Interlochen Public Library  
Change in Net Position  
Years Ended December 31,**

	<u>2022</u>	<u>2021</u>
<b>Expenses</b>		
Culture and Recreation	365,490	322,166
Changes in Net Position	(29,078)	(36,920)
<u>NET POSITION</u> - Beginning of Year	2,885,082	2,922,002
<u>NET POSITION</u> - End of Year	\$ 2,856,004	\$ 2,885,082

**Governmental Activities**

The most significant part of the revenue for all governmental activities of Interlochen Public Library comes from Traverse Area District Library and grants and donations.

The Library's governmental activities expenses are dominated by culture and recreation expenditures, which make up 100% of the total.

**Financial Analysis of the Governmental Funds**

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

**Governmental Funds** – The focus of Interlochen Public 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 government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Library itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Library Board.

At December 31, 2022, Interlochen Public Library's governmental funds reported a fund balance of \$187,350, an increase of \$26,864 in comparison with the prior year. \$184,307 of this amount constitutes an *unassigned fund balance*. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form (\$3,043), 2) legally required to be maintained intact, 3) restricted for particular purposes, 4) committed for particular purposes, or 5) assigned for particular purposes.

**General Fund** – The General Fund is the main operating fund of the Library. The General Fund increased its fund balance by \$26,864 which brings the fund balance to \$187,350. Of the General Fund's fund balance, \$184,307 of it is unassigned. The increase in fund balance was due to conservative spending.

INTERLOCHEN PUBLIC LIBRARY, GRAND TRAVERSE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED DECEMBER 31, 2022

**General Fund Budgetary Highlights**

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Total Revenues	\$ 302,257	\$ 336,487	\$ 336,412
Total Expenditures	\$ 302,257	\$ 336,487	\$ 309,548

The budget for revenues and expenditures was amended throughout the year as the Library had a clearer picture of some items that were estimated at the beginning of the year. Revenues were increased to account for the additional \$10,000 from TADL received as well as other revenues, grants and donations. Expenditures were primarily increased due to capital outlay, the security system the Library installed during the year. The variances between final budgeted expenditures and actual expenditures were mostly related to conservative spending.

**Capital Assets**

**Capital Assets** The Library's investment in capital assets for its governmental activities as of December 31, 2022, amounts to \$2,668,654 (net of accumulated depreciation).

Capital assets summarized below include any items purchased with a cost greater than \$2,500 for Equipment and Machinery and \$5,000 for all other assets individually and that have a useful life greater than one year and books and collections in aggregate by year. A summary of capital asset categories is illustrated below:

**Interlochen Public Library  
Capital Assets as of December 31,**

	<u>2022</u>	<u>2021</u>
Land Improvements	\$ 32,009	\$ 32,009
Buildings and Improvements	2,868,088	2,842,760
Equipment and Furnishings	58,725	58,725
Books and Collection Items	105,424	113,431
Total Assets	3,064,246	3,046,925
Less Accumulated Depreciation	(395,592)	(322,329)
<b>Net Capital Assets</b>	\$ 2,668,654	\$ 2,724,596

INTERLOCHEN PUBLIC LIBRARY, GRAND TRAVERSE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED DECEMBER 31, 2022

The Library had the following major capital asset events during the fiscal year:

- Books and collection items at a cost of \$15,271.
- Security system purchased and installed costing \$25,328.
- Disposal of books and collection items totaling \$23,278.

**Economic Condition and Outlook**

At the time that these financial statements were prepared and audited, the Library was aware of certain items that could significantly affect its financial health in the future. A significant portion of the Library's funding comes from the Traverse Area District Library and penal fines. Any impairment to these funding sources would greatly impact the future of the Library.

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. If you have any questions about this report or need any additional information, contact the Interlochen Public Library, 9411 Tenth Street, Interlochen, Michigan 49643.

INTERLOCHEN PUBLIC LIBRARY  
INTERLOCHEN, MICHIGAN

STATEMENT OF NET POSITION  
DECEMBER 31, 2022

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 210,206
Prepaid Expense	3,043
	<hr/>
Total Current Assets	213,249
	<hr/>

NON CURRENT ASSETS

Capital Assets	3,064,246
Less Accumulated Depreciation	(395,592)
	<hr/>
Total Non Current Assets	2,668,654
	<hr/>

TOTAL ASSETS	<hr/> 2,881,903 <hr/>
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LIABILITIES

CURRENT LIABILITIES

Accrued Payroll and Liabilities	3,364
Unearned Grant Revenue	22,535
	<hr/>

TOTAL LIABILITIES	<hr/> 25,899 <hr/>
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NET POSITION

Net Investment in Capital Assets	2,668,654
Unrestricted	187,350
	<hr/>

TOTAL NET POSITION	<hr/> <u>\$ 2,856,004</u> <hr/>
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The notes to the financial statements are an integral part of this statement.

INTERLOCHEN PUBLIC LIBRARY  
INTERLOCHEN, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				GOVERNMENTAL ACTIVITIES
EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION	
<u>GOVERNMENTAL ACTIVITIES</u>					
Culture and Recreation	\$ 365,490	\$ 3,111	\$ 260,702	\$ 0	\$ (101,677)
 <u>GENERAL REVENUES</u>					
State Sources					6,588
Interest					1,733
Other					64,278
Total General Revenues					72,599
Change in Net Position					(29,078)
<u>NET POSITION</u> - Beginning of Year					2,885,082
<u>NET POSITION</u> - End of Year					\$ 2,856,004

The notes to the financial statements are an integral part of this statement.

INTERLOCHEN PUBLIC LIBRARY  
INTERLOCHEN, MICHIGAN

GOVERNMENTAL FUND

BALANCE SHEET  
DECEMBER 31, 2022

	<u>GENERAL FUND</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 210,206
Prepaid Expenditures	<u>3,043</u>
 TOTAL ASSETS	 <u>\$ 213,249</u>
 <u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	
Accrued Payroll and Liabilities	\$ 3,364
Unearned Grant Revenue	<u>22,535</u>
 Total Liabilities	 <u>25,899</u>
 <u>FUND BALANCE</u>	
Nonspendable	
Prepaid Expenditures	3,043
Unassigned	<u>184,307</u>
 Total Fund Balance	 <u>187,350</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 213,249</u>

The notes to the financial statements are an integral part of this statement.

INTERLOCHEN PUBLIC LIBRARY  
INTERLOCHEN, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2022

Total Governmental Fund Balance	\$ 187,350
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
The cost of the capital assets is	\$ 3,064,246
Accumulated depreciation is	<u>(395,592)      2,668,654</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 2,856,004</u></u>

The notes to the financial statements are an integral part of this statement.

INTERLOCHEN PUBLIC LIBRARY  
INTERLOCHEN, MICHIGAN

GOVERNMENTAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
YEAR ENDED DECEMBER 31, 2022

	<u>GENERAL FUND</u>
<u>REVENUES</u>	
Federal Grants	\$ 10,000
State Grants	6,588
Contributions from Local Units	241,000
Charges for Services	3,111
Fines and Forfeits	9,702
Interest and Rents	1,733
Other Revenues	<u>64,278</u>
Total Revenues	<u>336,412</u>
<u>EXPENDITURES</u>	
Culture and Recreation	
Personal Services	184,151
Supplies	6,876
Other Services and Charges	72,532
Capital Outlay	<u>45,989</u>
Total Expenditures	<u>309,548</u>
Excess (Deficiency) of Revenues Over Expenditures	26,864
<u>FUND BALANCE</u> - Beginning of Year	<u>160,486</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 187,350</u>

The notes to the financial statements are an integral part of this statement.



INTERLOCHEN PUBLIC LIBRARY  
INTERLOCHEN, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022

Net Change in Fund Balance	\$ 26,864
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the Statement of Activities. These costs are allocated over their estimated useful lives as depreciation.	
Capital Outlay	40,599
Depreciation Expense	<u>(96,541)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (29,078)</u></u>

The notes to the financial statements are an integral part of this statement.

INTERLOCHEN PUBLIC LIBRARY, GRAND TRAVERSE COUNTY  
INTERLOCHEN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary governmental is financially accountable. Interlochen Public Library does not have any *business-type activities*, *fiduciary activities* or *component units*.

**B. Reporting Entity**

Interlochen Public Library is a public library established pursuant to Act 138 of the Public Acts of 1917. The Library provides library services primarily to the Green Lake Township residents in Grand Traverse County and portions of Benzie County. Under the criteria established by accounting principles generally accepted in the United States of America, the Library has determined that there are no component units which should be included in its reporting entity.

**C. Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds.

**D. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on major governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Interlochen Public Library reports one major governmental fund:

The *General Fund* is the primary operating fund of the Library. It accounts for all financial resources of the Library.

**E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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 timing of related cash flows. Property taxes are

INTERLOCHEN PUBLIC LIBRARY, GRAND TRAVERSE COUNTY  
INTERLOCHEN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the Library.

**F. Budgetary Information**

***1. Budgetary Basis of Accounting***

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year-end. Budgeted amounts presented are as originally adopted on November 16, 2020, or as amended by the Library Board from time to time throughout the year.

The appropriated budget is prepared by fund and object. The Library Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Library because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

***1. Cash and Cash Equivalents***

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments. The government considered all highly liquid investments (including certificates of deposit) to be cash equivalents.

INTERLOCHEN PUBLIC LIBRARY, GRAND TRAVERSE COUNTY  
INTERLOCHEN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**2. Investments**

The Investment Policy adopted by the Library states that the Library is limited to investments authorized by PA 20 of 1943, as amended, and may invest in the following:

- (a) Bonds, securities, and other obligations 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 financial institution. Authorized depositories shall be designated by the Interlochen Public Library Board at the Board's organizational meeting after each regular election of board members.
- (c) Commercial paper rated at the time of purchase within the two highest classifications established by not more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in subdivision (a).
- (e) Bankers' acceptances of United States banks.
- (f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated investment grade by not less than one standard rating service.
- (g) Mutual funds registered under the Investment Company Act of 1940, title I of chapter 686, 54 Stat. 789 15 U.S.C. 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by the Library. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
  - (i) The purchase of securities on a when-issued or delayed delivery basis.
  - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
  - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- (h) Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967.
- (i) Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- (j) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.

INTERLOCHEN PUBLIC LIBRARY, GRAND TRAVERSE COUNTY  
INTERLOCHEN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**3. *Inventories and Prepaid Items***

Inventory is valued at cost using the first-in/first-out method. Inventory consists of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased. There were no material inventories at year-end.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable columns in the government-wide financial statements. The Library's policy is to capitalize Equipment and Machinery with an individual cost of \$2,500 or more and all other assets with an individual cost of \$5,000 or more and an estimated useful life of one year or more and books and collections in aggregate by year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

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

<u>ASSETS</u>	<u>YEARS</u>
Buildings	40 years
Building Improvements	25 years
Equipment and Furnishings	5-7 years
Land Improvements	20 years
Vehicles	10 years
Books and Collection Items	7 Years

**5. *Unearned Revenue***

Unearned revenue arises when resources are received by the Library before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The Library has unearned grant revenue of \$22,535 at December 31, 2022.

INTERLOCHEN PUBLIC LIBRARY, GRAND TRAVERSE COUNTY  
INTERLOCHEN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**6. *Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial 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. The Library does not have any deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Library does not have any deferred inflows of resources.

**7. *Net Position Flow Assumption***

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

**8. *Fund Balance Flow Assumptions***

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

**9. *Fund Balance Policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

INTERLOCHEN PUBLIC LIBRARY, GRAND TRAVERSE COUNTY  
INTERLOCHEN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

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

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

***10. Use of Estimates***

The presentation 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.

**H. Revenues and Expenditures/Expenses**

***1. Program Revenues***

Amounts reported as program revenue 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other internally dedicated resources are reported as general revenues rather than as program revenues.

***2. Contributions from Local Government Revenue***

Traverse Area District Library (TADL) provides an amount of funding based on a tax base. Interlochen Public Library entered into an associate library agreement with the District Library to provide enhanced services. Revenues from TADL for the fiscal year ended December 31, 2022 was \$235,000.

INTERLOCHEN PUBLIC LIBRARY, GRAND TRAVERSE COUNTY  
INTERLOCHEN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Violations of Legal or Contractual Provisions**

The Library was not in violation of State Law, and all expenditures were within budgeted amounts.

**III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Deposits**

As of December 31, 2022, The Library had deposits subject to the following risk:

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. As of December 31, 2022, none of the Library’s bank balance of \$210,939 was exposed to custodial credit risk because it was insured and collateralized. As of December 31, 2022 deposits of \$210,081 and petty cash of \$125 are reported on the financial statements as cash and cash equivalents.

*Interest rate risk.* The Library will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Library’s cash requirement.

*Credit risk.* State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

*Concentration of credit risk.* The Library will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Library’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Foreign currency risk.* The Library is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.



INTERLOCHEN PUBLIC LIBRARY, GRAND TRAVERSE COUNTY  
INTERLOCHEN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**B. Capital Assets**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Being Depreciated				
Land Improvements	\$ 32,009	\$ 0	\$ 0	\$ 32,009
Buildings and Improvements	2,842,760	25,328	0	2,868,088
Equipment and Furnishings	58,725	0	0	58,725
Books and Collection Items	113,431	15,271	23,278	105,424
Total Capital Assets, Being Depreciated	3,046,925	40,599	23,278	3,064,246
Less Accumulated Depreciation for:				
Land Improvements	4,935	1,600	0	6,535
Buildings and Improvements	219,129	71,491	0	290,620
Equipment and Furnishings	25,597	8,389	0	33,986
Books and Collection Items	72,668	15,061	23,278	64,451
Total Accumulated Depreciation	322,329	96,541	23,278	395,592
Total Capital Assets, Being Depreciated, Net	\$ 2,724,596	\$ (55,942)	\$ 0	\$ 2,668,654

Depreciation for the fiscal year ended December 31, 2022, amounted to \$96,451.

**C. Leases – GASB Statement No. 87**

It has been determined that the Library has leases as defined by GASB Statement No. 87. However, the total of these leases has been determined they are not significant enough to warrant disclosure.

**D. Risk Management**

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries.

The Interlochen Public Library participates a distinct pool of governmental entities within the State of Michigan for various risks of loss, including general liability, property and casualty, employee health and accident insurance, and self-insuring workers' disability compensation. The pool is considered a public entity risk pools. The Interlochen Public Library pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Interlochen Public Library has not been informed of any special assessments being required.

INTERLOCHEN PUBLIC LIBRARY, GRAND TRAVERSE COUNTY  
INTERLOCHEN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**IV. OTHER INFORMATION**

**A. Commitments and Contingencies**

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the Library.

INTERLOCHEN PUBLIC LIBRARY  
INTERLOCHEN, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

YEAR ENDED DECEMBER 31, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Federal Grants	\$ 0	\$ 0	\$ 10,000
State Grants	4,700	6,587	6,588
Contributions from Local Units	231,000	241,000	241,000
Charges for Services	2,600	2,600	3,111
Fines and Forfeits	11,120	11,360	9,702
Interest and Rents	537	597	1,733
Other Revenues	52,300	74,343	64,278
Total Revenues	302,257	336,487	336,412
<u>EXPENDITURES</u>			
Culture and Recreation			
Personal Services	196,990	197,595	184,151
Supplies	7,200	7,200	6,876
Other Services and Charges	76,567	83,692	72,532
Capital Outlay	21,500	48,000	45,989
Total Expenditures	302,257	336,487	309,548
Excess (Deficiency) of Revenues Over Expenditures	0	0	26,864
<u>FUND BALANCE</u> - Beginning of Year	0	0	160,486
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 187,350



# Baird, Cotter & Bishop, P.C.

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February 7, 2023

## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AT THE CONCLUSION OF THE AUDIT

To the Members of the Board  
Interlochen Public Library  
Interlochen, Michigan

We have audited the financial statements of governmental activities and the major fund of the Interlochen Public Library for the year ended December 31, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 3, 2023. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Matters

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Interlochen Public Library are described in Note 1 to the financial statements. During the fiscal year, the Library adopted GASB Statement No. 87, Leases, which requires changes to how leases are reported in the financial statements and disclosures. The application of existing policies was not changed during 2022. We noted no transactions entered into by the Interlochen Public Library during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the governmental activities and the major fund of the Library's 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. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We detected a material misstatement as a result of our audit procedures that was corrected by management. The material adjustment made was a result of providing client assistance as the client knew the adjustment was necessary but requested our assistance in reclassifying grant revenue.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated February 7, 2023.

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

### *Other Audit Findings or Issues*

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

During the course of our audit of the basic financial statements of the Interlochen Public Library for the year ended December 31, 2022, we noted the following item which we feel deserves comment:

#### Condition of Accounting Records and Accounting Controls

We would like to thank the accounting personnel for their efforts in accumulating the information needed for our audit. We encourage you to review your internal and accounting controls on an annual basis to ensure they are adequate and operating as intended.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis and the Budgetary Comparison Schedule, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*



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February 7, 2023

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Members of the Board  
Interlochen Public Library  
Interlochen, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Interlochen Public Library, Interlochen, Michigan as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Interlochen Public Library's, Interlochen, Michigan basic financial statements and have issued our report thereon dated February 7, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Interlochen Public Library, Interlochen, Michigan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Interlochen Public Library, Interlochen, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Interlochen Public Library, Interlochen, Michigan's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may

exist that were not identified. We did identify a certain deficiency in internal control, described below, that we consider to be a material weakness:

*1) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.*

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the Library's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including related footnotes (i.e., external financial reporting).

Condition: As is the case with many smaller and medium-sized entities, the Library has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Library's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the Library's internal controls.

Cause: This condition was caused by the Library's decision that it is more cost effective to outsource the preparation of its financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Library to perform this task internally.

Effect: As a result of this condition, the Library's internal controls over the preparation of financial statements in accordance with GAAP are incomplete. Instead, the Library relies, in part, on its external auditors for assistance with this task.

Recommendation: Due to the size and minimal activity, we recommend that the Library continue to outsource financial statement preparation.

View of Responsible Officials: The Library has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Library to outsource this task to its external auditors, and to carefully review the draft financial statements and noted prior to approving them and accepting responsibility for their content and presentation.

Corrective Action: The Library has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the Library to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation. The person responsible for the corrective action is the Library Director. The anticipated completion date of the corrective action plan is immediate.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Interlochen Public Library, Interlochen, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However,



could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Interlochen Public Library's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Interlochen Public Library's response to the findings identified in our audit and described above. Interlochen Public Library's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*