

CHARTER TOWNSHIP OF MILFORD LIBRARY

FINANCIAL REPORT  
December 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Charter Township  
of Milford Library Board  
Milford, Michigan

We have audited the accompanying financial statements of the governmental activity of the Charter Township of Milford Library (the Library) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion 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

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**PRINCIPALS**

Raymond H. Cooper, Jr., CPA, CFP  
Gregory D. Clum, CPA

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**MEMBERS**

Michigan Association of Certified Public Accountants  
American Institute of Certified Public Accountants

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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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activity of the Charter Township of Milford Library, as of December 31, 2020, 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.

### **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 3-9 and 27, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Breding, Wagner & Co, P.C.*

Howell, Michigan  
May 11, 2021

CHARTER TOWNSHIP OF MILFORD LIBRARYMANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2020

(Unaudited)

Using this Annual Report

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Charter Township of Milford Library (the Library).

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method of accounting. These *Fund Financial Statements* focus on the 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 of accounting.
- 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 fiduciary fund statements provide financial information about the defined contribution 401(a) retirement plan for which the Library acts solely as a trustee or agent for the benefit of the employees and retirees of the Library.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

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CHARTER TOWNSHIP OF MILFORD LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For the Year Ended December 31, 2020

(Unaudited)

Condensed Financial Information

The table below shows key financial information in a condensed comparative format:

	December 31, 2020	December 31, 2019
Assets:		
Current assets	\$ 1,809,438	1,490,011
Capital assets, net	662,439	539,457
Total Assets	<u>2,471,877</u>	<u>2,029,468</u>
Liabilities:		
Current liabilities	<u>52,587</u>	<u>54,321</u>
Deferred Inflows of Resources	<u>768,436</u>	<u>560,688</u>
Net Position:		
Net investment in capital assets	662,439	539,457
Restricted	192,079	192,079
Unrestricted	<u>796,336</u>	<u>682,923</u>
Total Net Position	<u>\$ 1,650,854</u>	<u>1,414,459</u>
Revenues:		
Property taxes	\$ 1,093,517	1,020,029
Other	<u>252,921</u>	<u>141,923</u>
Total Revenues	<u>1,346,438</u>	<u>1,161,952</u>
Program Expenses:		
Library services/operations	<u>1,110,043</u>	<u>1,078,519</u>
Change in Net Position	<u>\$ 236,395</u>	<u>83,433</u>

CHARTER TOWNSHIP OF MILFORD LIBRARYMANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For the Year Ended December 31, 2020

(Unaudited)

The Library as a Whole

- The Library reports net position of \$1,650,854 and \$1,414,459 on a full accrual basis for the years ended December 31, 2020 and 2019, respectively, as compared to \$1,005,775 and \$889,018 on the modified accrual basis of accounting for the same periods.
- The Library's primary source of revenue is from property taxes. Total tax collections were \$1,093,517 and \$1,020,029 representing 81.2% and 87.8% of total revenues for the years ended December 31, 2020 and 2019, respectively.
- A major source of income was receipt of the State of Michigan's Local Community Stabilization Reimbursement. This reimbursement accounts for lost personal property taxes due to changes in Michigan's tax code. The total received was \$31,633 and \$50,274 representing 2.3% and 4.3% of total revenues for the years ended December 31, 2020 and 2019, respectively.
- Wage related expenses including salaries and wages, payroll taxes, and employee benefits are the largest overall expenditure of the Library. These expenditures were \$636,862 and \$624,829 representing 51.8% and 57.9% of the Library's total expenditures on the full accrual basis of accounting for the years ended December 31, 2020 and 2019, respectively.
- Depreciation expense of \$100,052 and \$103,158 represents 9.0% and 9.6% of the Library's total expenditures on the full accrual basis of accounting for the years ended December 31, 2020 and 2019, respectively.
- Total expenditures were \$1,229,680 and \$1,068,139 for the years ended December 31, 2020 and 2019, respectively, under the modified accrual method of accounting.
- The Library's conversion to meet GASB 34 standards, which includes capitalization of Library-owned assets and associated depreciation expense, is reflected in the statement of net position and statement of activities on pages 9 and 10 of this financial report.

CHARTER TOWNSHIP OF MILFORD LIBRARYMANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For the Year Ended December 31, 2020

(Unaudited)

The Library's Fund

A presentation of the Library's General fund is included on pages 9 and 10 in the first column of the respective statements. The fund column provides detailed information about the fund on a modified accrual basis of accounting, which is a short-term perspective measuring the flow of financial resources, not the Library's operations on a full accrual basis of accounting, which provides a longer term measurement of total economic resources. The Library's only fund is the General Fund.

The fund balance increased \$116,758 and \$93,813 during the years ended December 31, 2020 and 2019, respectively.

The Library board has designated funds to help manage money for specific purposes, such as future building and technology needs and to reserve donations received specifically for artwork in the Library.

Library Budgetary Highlights

Over the course of the year, the Library Board amended the budget to take into account events that occurred during the year. Amendments occurred in several revenue appropriations to more accurately reflect actual income.

The global Covid-19 pandemic continued to have a huge impact on library services in 2020. The library was closed, by executive order, from March 16 through June 7. During this time, virtual service continued to some extent. Management staff, with input from the Library attorney, developed both a Reopening Plan and a Pandemic Response Plan. The pandemic had a dramatic impact on the cost of supplies and items to assist with curbside and virtual services. On June 8, staff returned to work for required Covid-19 training. Beginning on June 15, the Library resumed services, although in a "curbside only" mode. On July 21, the Library opened for limited in-person service and by September 27 had reopened for full service, although with time and occupancy limits. On November 16, due to increasing rates of Covid-19 transmission in the area, the Library returned to curbside service only.

On June 12, a car accident resulted in substantial damage to the Library building. The Library filed a claim with our insurance company using estimates from Frank Rewold and Son, as well as Library Design Associates, for rebuilding office space and furnishing that space. The insurance claim for \$138,673 was approved and re-construction began in August. By November, the re-construction was completed and carpet and furniture were installed in the space.

CHARTER TOWNSHIP OF MILFORD LIBRARYMANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For the Year Ended December 31, 2020

(Unaudited)

Library Budgetary Highlights (Continued)

The Library submitted requests for reimbursement from the Oakland County CARES Act program for libraries, community centers, and senior centers. As part of that program, the Library received reimbursements for \$9,651 expended for the Covid response.

The library received a Library of Michigan Continuing Education Stipend of \$1,600 that covered expenses for staff to attend the Public Library Association Conference in Nashville (awarded in 2019, reimbursed after the conference in March). In addition, the Library of Michigan coordinated CARES Act grants for PPE supplies and digital inclusion. The Library received the maximum grant allowed for our service population of \$3,499 (\$500 for PPE, \$2,999 for digital inclusion). For our digital inclusion grant, we purchased 8 mobile hotspots for circulation to patrons. Youth staff applied for, and received, a \$2,000 grant through the Library of Michigan LSTA Small Grant program. This award was used to purchase Launchpad learning tablets for children.

In the third year of the Local Community Stabilization Reimbursement Program, an adjustment was made to account for income received under this program. The Library continues to be a "fine free" library. Budgeted revenues were amended to reflect this fact. Revenue for State Penal Fines was reduced as amounts collected were significantly less due to the stay at home order enacted early in the year. Sales revenue and Fines and Fees were decreased to reflect amounts received as the global pandemic had an impact here as well. Interest income was increased due to higher than expected interest.

Salaries and Wages held steady through the year, as the Board approved continuing to pay staff during the stay at home order. As required, staff at minimum wage received a statutory increase. Costs were lower for Health Care Coverage and therefore that line item was reduced.

Electronic Resources, previously listed as an asset, was changed to Electronic Content Delivery, which is not capitalized, as items are only available to the Library for the limit of any subscriptions to the various e-content services. Due to the pandemic, a significant increase was made for Electronic Content Delivery. \$26,390 was invested in this area. Various changes were made to Departmental budgets for content in order to meet the needs of our community.

Line items related to travel and professional development were reduced as both of these items became practically nonexistent during the pandemic.



CHARTER TOWNSHIP OF MILFORD LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For the Year Ended December 31, 2020

(Unaudited)

Library Budgetary Highlights (Continued)

Programming for the Youth department was increased for benefit to our youngest patrons and their families.

Changes were also made to office furniture as 10 lounge chairs were reupholstered to extend their usefulness.

Capital Assets and Debt Administration

At the end of the fiscal year, the Library had approximately \$662,439 invested in building improvements, furniture and equipment, and books and materials. The Library added \$63,922 in new collection items consisting of new books, various audio/visual materials, e-content, and enhancement of the music collection.

It should be noted that the Library building itself is an asset of the Charter Township of Milford and therefore, does not appear as an asset of the Library.

The Library carries no long-term debt; debt related to the Library building bond is administered by Milford Township (see Note 5 in the Notes to Financial Statements).

Next Year's Budget and Millage Rates

The budget for fiscal year 2021 represents an increase of approximately 3.0% over the original budget for fiscal year 2020. For 2021, the taxable value of the Township was increased and a portion of our tax rate was rolled back slightly. In August, 2020 voters approved a 10 year tax levy of 0.7 mills. Passage of this proposal was vital for the continuation and expansion of Library services. In addition, State of Michigan changes to the Personal Property Tax continued to have an impact on our budget and the ability to plan in advance for promised reimbursements.

The Library's total millage rate is 1.4362 mills for the coming year. Based on the taxable value of the property in the Library's service area of \$1,035,348,150 this will generate approximately \$1,476,000 in property tax revenue.

Local property taxes account for just over 95% of budgeted Library revenues.

CHARTER TOWNSHIP OF MILFORD LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Concluded)  
For the Year Ended December 31, 2020

(Unaudited)

Next Year's Budget and Millage Rates (Continued)

Fund balance is not being used to balance the budget in 2021. Anticipated major expenditures for fiscal year 2021 include equipment and furniture upgrades as well as potential improvement of the Library grounds and parking lots. Funds for these expenditures will come from assigned fund balance.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, patrons, and donors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the director, Tina Hatch, at (248) 684-0845, extension 101 or by email at [thatch@milfordlibrary.info](mailto:thatch@milfordlibrary.info).

CHARTER TOWNSHIP OF MILFORD LIBRARY  
GOVERNMENTAL FUND BALANCE SHEET /  
STATEMENT OF NET POSITION  
DECEMBER 31, 2020

	General Fund, Modified Accrual Basis	Adjustments (Note 10)	Statement of Net Position
<b>Assets</b>			
Cash and investments (Notes 1 and 3)	\$ 811,405	-	811,405
Restricted cash and investments (Notes 1 and 3)			
Alta M. Tripp Endowment	27,579	-	27,579
Carlton Tripp Endowment	164,500	-	164,500
Properly taxes receivable	768,435	-	768,435
Prepaid expenses	37,519	-	37,519
Capital assets (Note 4):			
Capital assets not being depreciated	-	57,035	57,035
Capital assets, net of depreciation	-	605,404	605,404
<b>Total Assets</b>	<b>\$ 1,809,438</b>	<b>662,439</b>	<b>2,471,877</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 28,366	-	28,366
Accrued payroll	6,861	-	6,861
Accrued sick pay	-	17,360	17,360
<b>Total Liabilities</b>	<b>35,227</b>	<b>17,360</b>	<b>52,587</b>
<b>Deferred Inflows of Resources</b>			
Property tax revenue	768,436	-	768,436
<b>Fund Balance/Net Position</b>			
Fund balance:			
Nonspendable (Note 6)	229,598	(229,598)	-
Assigned (Note 6)	75,289	(75,289)	-
Unassigned (Note 6)	700,888	(700,888)	-
<b>Total Fund Balance</b>	<b>1,005,775</b>	<b>(1,005,775)</b>	<b>-</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 1,809,438</b>		
<b>Net Position</b>			
Invested in capital assets		662,439	662,439
Restricted- nonexpendable (Note 7)		192,079	192,079
Unrestricted		796,336	796,336
<b>Total Net Position</b>		<b>1,650,854</b>	<b>1,650,854</b>

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

CHARTER TOWNSHIP OF MILFORD LIBRARY  
STATEMENT OF GOVERNMENTAL REVENUES,  
EXPENDITURES, AND CHANGES IN  
FUND BALANCE / STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020

	General Fund, Modified Accrual Basis	Adjustments (Note 10)	Statement of Activities
Revenues:			
Property taxes	\$ 1,093,517	-	1,093,517
Industrial facilities tax	5,376	-	5,376
Federal grants	9,652	-	9,652
State penal fines	27,101	-	27,101
State aid	16,339	-	16,339
Local community stabilization reimbursement	31,633	-	31,633
Charges for services- sales	988	-	988
Fines and fees	1,494	-	1,494
Contributions	1,196	-	1,196
Interest	15,163	-	15,163
Insurance proceeds	138,173	-	138,173
Other income	5,806	-	5,806
Total Revenues	<u>1,346,438</u>	<u>-</u>	<u>1,346,438</u>
Expenditures:			
Salaries and wages	532,413	3,344	535,757
Payroll taxes	39,025	-	39,025
Employee benefits	65,424	-	65,424
Supplies	14,381	-	14,381
Collections maintenance	4,189	-	4,189
Professional services	31,995	-	31,995
The Library Network automation and services	50,732	-	50,732
Communications	4,660	-	4,660
Memberships and dues	1,469	-	1,469
Travel	1,495	-	1,495
Advertising and promotion	5,848	-	5,848
Postage	2,091	-	2,091
Insurance	13,195	-	13,195
Miscellaneous	138	-	138
Utilities	90,983	-	90,983
Education and training	1,745	-	1,745
Covid-19 supplies	11,015	-	11,015
Programming	8,726	-	8,726
Repairs and maintenance	100,733	-	100,733
Books	43,016	(43,016)	-
Periodicals	7,330	(7,330)	-
Audio/visual	13,576	(13,576)	-
Electronic resources	26,390	-	26,390
Building and land improvements	136,692	(136,692)	-
Furniture and fixtures	15,996	(15,996)	-
Equipment	6,424	(6,424)	-
Depreciation	-	100,052	100,052
Total Expenditures	<u>1,229,681</u>	<u>(119,638)</u>	<u>1,110,043</u>
Excess of Revenues Over Expenditures/Change in Net Position	116,757	119,638	236,395
Fund Balance/Net Position - Beginning of Year	<u>889,018</u>	<u>525,441</u>	<u>1,414,459</u>
Fund Balance/Net Position - End of Year	<u>\$ 1,005,775</u>	<u>645,079</u>	<u>1,650,854</u>

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

CHARTER TOWNSHIP OF MILFORD LIBRARY  
FIDUCIARY FUND  
STATEMENT OF NET POSITION  
YEAR ENDED DECEMBER 31, 2020

	Employee Defined Contribution Retirement Plan
	<hr/>
ASSETS	
Mutual funds/investments	\$ <u>101,221</u>
NET POSITION	
Restricted for benefits (Note 8)	\$ <u>101,221</u>

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

CHARTER TOWNSHIP OF MILFORD LIBRARY  
FIDUCIARY FUND  
STATEMENT OF CHANGE IN NET POSITION  
YEAR ENDED DECEMBER 31, 2020

	Employee Defined Contribution Retirement Plan
	<u>                    </u>
Additions:	
Net investment earnings	\$ 9,593
Employer contributions	10,828
Employee contributions	<u>100</u>
Total additions	<u>20,521</u>
Deductions:	
Asset fees	-
Employee withdrawals/transfers	<u>-</u>
Total deductions	<u>-</u>
Change in net position	20,521
Net position - January 1, 2020	<u>80,700</u>
Net position - December 31, 2020	<u><u>\$ 101,221</u></u>

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

## NOTES TO FINANCIAL STATEMENTS

## Note 1. REPORTING ENTITY AND BASIS OF PRESENTATION

## Reporting entity:

The Charter Township of Milford Library (the Library) was established for the purpose of providing all residents of Milford Township with access to materials and services for information, education, culture, and recreation. The Library is governed by a six member board of trustees elected at large from Milford Township. The primary funding sources of the Library are property taxes, penal fines, and state aid.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting unit. Based on these criteria, there are no component units of the Library that are to be included in the reporting entity.

## Basis of presentation:

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The financial statements present the governmental fund financial statements on a modified accrual basis with an adjustment to present the government-wide financial statements on a full accrual basis.

## Fund financial statements:

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Library, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds which are maintained in accordance with the activities or objectives specified. The Library maintains a governmental fund and a fiduciary fund.

The financial activities of the Library are recorded in the following governmental fund:

The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library except for those that are required to be accounted for in another fund. This is the Library's only fund.

## NOTES TO FINANCIAL STATEMENTS (Continued)

## Note 1. REPORTING ENTITY AND BASIS OF PRESENTATION (Concluded)

Fund financial statements (concluded):

The activity of the Library's defined contribution 401(a) retirement plan is reported in the Library's fiduciary fund. This fund accounts for the assets held in a trustee capacity on behalf of the employees and retirees of the Library. See Notes 2 and 8 for additional information on this fund.

## Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies:

Measurement focus/basis of accounting:

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting policies of the Charter Township of Milford Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

Governmental fund financial statements:

The General Fund financial statements (i.e. the governmental fund balance sheet and the statement of governmental revenues, expenditures, and changes in fund balance) uses a financial resources measurement focus and is accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose the Library considers revenues to be available if collected within 60 days of the end of the current fiscal period. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on long-term debt, which is recognized when due, and accrued vacation and sick leave, which is recorded when payable from current available financial resources. Adjustments are provided within the statements to reconcile and explain the differences in fund balance and changes in fund balance as presented in the balance sheet and statement of governmental revenues, expenditures, and



## NOTES TO FINANCIAL STATEMENTS (Continued)

## Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## Governmental fund financial statements (concluded):

changes in fund balance to the net position and change in net position as presented in the statement of net position and statement of activities.

## Government-wide financial statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are 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 are met. Expenses are recorded when liabilities are incurred.

## Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

## Cash and cash equivalents:

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.

## Prepaid expenses:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

## Deferred inflows of resources:

In addition to assets and liabilities, the statement of net position includes deferred inflows of resources. This amount represents an acquisition of net position that applies to a future period and, accordingly, will not be recognized as

## NOTES TO FINANCIAL STATEMENTS (Continued)

## Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred inflows of resources (concluded):

revenue until that time. The Library's deferred inflows of resources are related to property tax collections.

Compensated absences (vacation and sick leave):

Vacation time that is unused at the end of the calendar year does not carry over to the following year. Up to 225 hours of sick time can be carried forward and used in future years. Upon termination, employees are paid half of their accumulated sick time. This portion is reported as accrued sick pay on the statement of net position.

Capital assets:

Capital assets are recorded (net of accumulated depreciation) in the government-wide financial statements. The Library capitalizes assets with a life expectancy of more than one year and an initial cost of more than \$1,000 or several similar assets with a combined initial cost of more than \$2,000. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building and land improvements	3-20 years
Furniture and equipment	3-10 years
Library collections	10 years

Restricted net position:

Restrictions of net position shown in the government-wide financial statements indicate restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes.

*(This section intentionally left blank.)*

## NOTES TO FINANCIAL STATEMENTS (Continued)

## Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## Fund equity:

In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable - resources which cannot be spent because they are either 1) not in spendable form or; 2) legally or contractually required to be maintained intact. For the Library, nonspendable fund balance consists of prepaid expenses and endowment funds.

Restricted - resources with constraints placed on the use of resources which are either 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation.

Committed - resources which are subject to limitations the Library imposes upon itself at its highest level of decision making and that remain binding unless the limitations are removed in the same manner.

Assigned - resources neither restricted nor committed for which the Library has a stated intended use as established by the Library Board or a body or official to which the Library Board has delegated the authority to assign amounts for specific purposes.

Unassigned - resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

## Fund balance classification policies and procedures:

For committed fund balance, the Library's highest level of decision-making authority is the Library Board of Trustees. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution by the Library Board of Trustees.

For assigned fund balance, the Library Board is authorized to assign amounts to a specific purpose. The authorization policy is a full vote and approval by the Library Board of Trustees.

## NOTES TO FINANCIAL STATEMENTS (Continued)

## Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund balance classification policies and procedures (concluded):

When an expense is incurred for which both restricted and unrestricted net assets are available, the Library's policy is to apply restricted net assets first. The Library's asset spending order is as follows: nonspendable, restricted, committed, assigned, and unassigned.

The Library's minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts, equal to no less than three months of general fund operating expenditures. In the event that the balance drops below the established minimum level, the Board of Trustees will develop a plan to replenish the fund balance to the established minimum level within two years.

Property taxes:

On December 1, the township levies and collects property taxes for the Library. The tax levies are due February 14, with the final collection date of February 28. As the Library tax is collected, it is remitted by the township treasurer. At March 1 each year, the township settles their respective delinquent taxes with the county treasurer and the unpaid real property tax is remitted to the Library by the county treasurer in Oakland County.

Property taxes are billed during the month of December and are used to finance the following year's operations. As such, these taxes are recorded as deferred inflows of resources at December 31.

The 2019 total taxable value for the property within the township was \$988,461,580 on which ad valorem taxes of 1.104 mills were levied. These taxes were recorded as revenue during the year ended December 31, 2020.

Budgets and budgetary accounting:

The annual budget is adopted by the Library Board prior to the beginning of the budgetary year. Subsequent amendments are approved by the Library Board. Unexpended appropriations lapse at year end. The Library does not use the encumbrance method of accounting for budgetary purposes. During the year, the budget was amended in a legally permissible manner.

## NOTES TO FINANCIAL STATEMENTS (Continued)

## Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Budgets and budgetary accounting (concluded):

Formal budgetary integration is employed as a management control device. The budget has been prepared on a modified accrual basis, which is in conformity with accounting principles generally accepted in the United States of America.

Deferred Compensation Plan:

The Library offers a deferred contribution 401(a) retirement plan to eligible employees. See Note 8 for additional information on this plan.

Subsequent events:

Subsequent events were evaluated by management through May 11, 2021, which is the date the financial statements were available to be issued. In management's opinion, no subsequent events occurred which require disclosure.

## Note 3. DEPOSITS AND INVESTMENTS

The Library is authorized by Michigan Public Act 20 of 1943 (as amended) to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Library is allowed to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, banker's acceptances, mutual funds, and bank investment pools that are composed of authorized investment vehicles. The Library's deposits and investments are in accordance with statutory authority.

At December 31, 2020, the deposits and investments of the Library are classified by Governmental Accounting and Standards Board Statement No. 3 in the following categories:

Petty cash	\$ 625
Bank deposits - checking account	61,001
Bank deposits - certificates of deposit	602,883
Investments	338,975
Total	<u>\$1,003,484</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

## Note 3. DEPOSITS AND INVESTMENTS (Continued)

All of the \$338,975 in investments is invested in the Oakland County Local Government Investment Pool. This investment pool is not registered with the SEC and does not issue a separate report. The Oakland County Local Government Investment Pool is managed as a 2(a)7 fund with its net asset value maintained at \$1. The fair market value of the investment in this pool is the same as the value of the pool shares.

At year end, the Library had checking account bank deposits of \$69,888. The difference of \$8,887 between the checking account bank deposit balance and the carrying value of \$61,001 represents checks written but not yet cashed at year end.

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned. The Library does not have a deposit policy for custodial credit risk. All of the Library's checking account deposits are covered by federal depository insurance. At December 31, 2020, the Library had \$602,883 in certificates of deposit held by the Charter Township of Milford. Since these amounts are held by the Charter Township of Milford, the amount covered by federal depository insurance per financial institution is not determinable.

Custodial credit risk of investments:

Custodial credit risk is the risk that in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library does not have a policy for custodial credit risk. The Library has not experienced a loss on investments due to brokerage house failure. Therefore, the Library considers its custodial credit risk of investments to be minimal.

Credit risk:

State law limits investments in certain types of investments to a prime or better rating issued by national recognized statistical rating organizations (NRSROs). As of December 31, 2020, the Library did not have any investments subject to rating.

## NOTES TO FINANCIAL STATEMENTS (Continued)

## Note 3. DEPOSITS AND INVESTMENTS (Concluded)

## Interest rate risk:

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Library does not have a policy for interest rate risk.

## Concentration of credit risk:

Although the Library does not have a specific policy that addresses concentration of credit risk, the Library's investment policy does list safety, diversification, liquidity and return on investment as primary objectives in order of priority. Probable safety of capital, as well as, possible income to be derived are also listed as objectives of the investment policy.

## Fair value:

Investments are measured at three different fair value levels; Level 1 measurements are based on quoted prices in active markets for identical assets; Level 2 measurements are based on other observable inputs; and Level 3 measurements are based on significant unobservable inputs. All of the Organization's investments are considered Level 1 assets.

*(This section intentionally left blank.)*

## NOTES TO FINANCIAL STATEMENTS (Continued)

## Note 4. CAPITAL ASSETS

A summary of changes in capital assets during the year ended December 31, 2020 follows:

	January 1, 2020	Additions	Deletions	December 31, 2020
Capital assets not being depreciated:				
Land	\$ 57,035	-	-	57,035
Capital assets being depreciated:				
Building and land improvements	216,004	137,587	(895)	352,696
Furniture and equipment	563,399	18,710	-	582,109
Library collections	852,188	63,922	(126,853)	789,257
	<u>1,631,591</u>	<u>220,219</u>	<u>(127,748)</u>	<u>1,724,062</u>
Less accumulated depreciation:				
Building improvements	(117,699)	(14,176)	-	(131,875)
Furniture and equipment	(520,126)	(11,992)	-	(532,118)
Library collections	(511,344)	(70,174)	126,853	(454,665)
	<u>(1,149,169)</u>	<u>(96,342)</u>	<u>126,853</u>	<u>(1,118,658)</u>
Net capital assets being depreciated	<u>482,422</u>	<u>123,877</u>	<u>(895)</u>	<u>605,404</u>
Capital assets, net	<u>\$ 539,457</u>	<u>123,877</u>	<u>(895)</u>	<u>662,439</u>

## Note 5. LEASE AGREEMENT

During the year ended December 31, 2004, the Library entered into an operating lease agreement with the Township of Milford for the building and the grounds on which the Library is located. Under the terms of the 30-year agreement for the building and 90-year agreement for the grounds, rent under the lease is \$1 per year. The Township will retain all ownership rights of the Library building.

*(This section intentionally left blank.)*



## NOTES TO FINANCIAL STATEMENTS (Continued)

## Note 6. FUND BALANCE

The Library has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balance classifications are based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

Nonspendable:	
Prepays	\$ 37,519
Endowment funds	192,079
	<u>229,598</u>
Assigned:	
Tax appeals	5,000
Art sculpture	2,000
Building improvements	49,018
Technology improvements	7,139
Collections development	5,000
Staff development	5,000
Adult programming	2,132
	<u>75,289</u>
Unassigned	<u>700,888</u>
Total fund balance	\$ <u>1,005,775</u>

## Note 7. RESTRICTED NET POSITION

The Library's restricted net position of \$192,079 was permanently restricted for endowment funds at December 31, 2020.

## Note 8. RETIREMENT PLAN

The Library provides retirement benefits through a defined contribution 401(a) plan to all full-time employees who have performed at least three years of service with the Library. Part-time employees, eligible under the previous plan, as of 2014, were grandfathered in and continue to be eligible. In a 401(a) plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

The Library Board has established a policy that the amount of employer contributions, if any, to the retirement plan will be determined annually. As established by the Library's Board, for 2020, the Library contributed 3 percent of eligible employees' gross earnings.

## NOTES TO FINANCIAL STATEMENTS (Continued)

## Note 8. RETIREMENT PLAN (Concluded)

In accordance with these requirements, the Library contributed \$10,828 during the current year. The Library's contributions for each employee are fully vested immediately.

In accordance with GASB requirements, the assets of the trust are reported in a fiduciary fund and are not reflected in Charter Township of Milford Library's financial statements.

The custodial account is held by Burnham and Flower, the custodian and third-party administrator, for the exclusive benefit of the participants and beneficiaries of this 401(a) plan and the assets may not be diverted to any other use.

At December 31, 2020, the carrying amount and market value of the investments of the deferred compensation plan held by Burnham and Flower was \$101,221.

## Note 9. RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions and workers' compensation. The Library has purchased commercial insurance for medical benefits claims, and participates in the Michigan Townships Participating Plan for claims relating to property loss, torts, and errors and omissions; the Library is uninsured for unemployment compensation claims. The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

## Note 10. RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Library's governmental fund differs from the net position and change 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 economic 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 governmental revenues, expenditures, and change in fund balance. The following are reconciliations of fund balance to net position and the net change in fund balance to the change in net position:

## NOTES TO FINANCIAL STATEMENTS (Concluded)

## Note 10. RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS (Concluded)

Total fund balance - governmental fund	\$ 1,005,775
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not financial resources and therefore are not reported in the governmental fund.	662,439
Accrued sick pay is not due and payable in the current period and therefore is not reported in the governmental fund.	<u>(17,360)</u>
Net position of governmental activities	\$ <u>1,650,854</u>
Net change in fund balance - governmental fund	\$ 116,757
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.	
Capital assets purchased	223,929
Depreciation expense	(100,052)
Loss on capital asset disposal	(895)
Accrued sick pay does not require the use of current financial resources and therefore the adjustments to accrued sick pay are not included.	<u>(3,344)</u>
Change in net position of governmental activities	\$ <u>236,395</u>

CHARTER TOWNSHIP OF MILFORD LIBRARY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2020

(Unaudited)

	Original Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenue				
Property taxes	\$ 1,078,000	1,093,000	1,093,517	517
Industrial facilities tax	5,000	5,000	5,376	376
Federal Grants	-	9,500	9,652	152
State penal fines	27,000	27,000	27,101	101
State aid	12,000	16,000	16,339	339
Local community stabilization reimbursement	20,000	31,000	31,633	633
Charges for services- sales	4,300	1,030	988	(42)
Fines and fees	2,500	1,000	1,494	494
Contributions	3,500	990	1,196	206
Interest	11,600	15,500	15,163	(337)
Other income	1,600	140,600	143,979	3,379
Total Revenues	1,165,400	1,340,620	1,346,438	5,818
Expenditures				
Salaries and wages	550,500	550,500	532,413	18,087
Payroll taxes	42,120	42,120	39,025	3,095
Employee benefits	73,780	69,480	65,424	4,056
Supplies	15,000	15,000	14,381	619
Collections maintenance	10,000	5,000	4,189	811
Professional services	45,300	45,300	31,995	13,305
The Library Network automation and services	54,200	54,200	50,732	3,468
Communications	3,850	5,850	4,660	1,190
Memberships and dues	2,930	2,930	1,469	1,461
Travel	4,000	2,300	1,495	805
Advertising and promotion	12,100	7,100	5,848	1,252
Postage	4,200	2,200	2,091	109
Insurance	13,500	13,500	13,195	305
Miscellaneous	210	310	138	172
Utilities	92,800	101,590	90,983	10,607
Education and training	4,800	3,300	1,745	1,555
Covid-19 response supplies	-	12,000	11,015	985
Programming	13,780	13,780	8,726	5,054
Repairs and maintenance	108,100	108,100	100,733	7,367
Books	52,100	52,100	43,016	9,084
Periodicals	8,500	8,500	7,330	1,170
Audio/visual	17,830	19,830	13,576	6,254
Electronic resources	19,800	29,800	26,390	3,410
Building and land improvements	-	138,000	136,692	1,308
Furniture and fixtures	8,000	18,000	15,996	2,004
Equipment	8,000	8,000	6,424	1,576
Total Expenditures	1,165,400	1,328,790	1,229,681	99,109
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	11,830	116,757	104,927
Fund Balance - Beginning of Year	889,018	889,018	889,018	-
Fund Balance - End of Year	\$ 889,018	900,848	1,005,775	104,927