

CHARTER TOWNSHIP OF MILFORD LIBRARY

FINANCIAL REPORT
December 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Charter Township
of Milford Library Board
Milford, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund of the Charter Township of Milford Library (the Library) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Charter Township of Milford 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, each major fund, and the remaining fund of the Charter Township of Milford Library, as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Charter Township of Milford 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.

PRINCIPALS

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

MEMBERS

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

ADDRESS

109 West Clinton Street
Howell, Michigan 48843

CHARTER TOWNSHIP OF MILFORD LIBRARYMANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2021

(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 basis 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 financial statements provide information about the employee defined contribution retirement plan for which the Library acts solely as an agent for the benefit of the plan participants and beneficiaries. The fiduciary fund is not included in the government-wide financial statements because the resources of this fund are not available for the Library's own programs.

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.

CHARTER TOWNSHIP OF MILFORD LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2021

(Unaudited)

Condensed Financial Information

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

	December 31, 2021	December 31, 2020
Assets		
Current assets	\$ 2,235,275	1,809,438
Capital assets, net	672,381	662,439
Total Assets	2,907,656	2,471,877
Liabilities		
Current liabilities	55,634	52,587
Deferred Inflows of Resources	766,348	768,436
Net Position		
Invested in capital assets	672,381	662,439
Restricted, nonexpendable	192,079	192,079
Unrestricted	1,221,214	796,336
Total Net Position	\$ 2,085,674	1,650,854
Revenues		
Program revenues		
Library services and fines	\$ 2,970	2,482
Contributions	9,585	1,196
General revenues		
Property taxes	1,486,247	1,093,517
Other	88,005	249,243
Total Revenues	1,586,807	1,346,438
Expenses		
Library services/operations	1,151,987	1,110,043
Change in Net Position	\$ 434,820	236,395

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2021

(Unaudited)

The Library as a Whole

- The Library reports net position of \$2,085,674 and \$1,650,854 on a full accrual basis, as compared to \$1,430,376 and \$1,005,775 on the modified accrual basis of accounting for the years ended December 31, 2021 and 2020, respectively.
- The Library's primary source of revenue is from property taxes. Total tax collections were \$1,486,247 and \$1,093,517, representing 93.7% and 81.2% of total revenues for the years ended December 31, 2021 and 2020, respectively.
- A major source of revenue is from the State of Michigan's Local Community Stabilization Authority's personal property tax reimbursements. These reimbursements account for lost property taxes due to changes in Michigan's tax code. Total reimbursements were \$23,110 and \$31,633, representing 1.5% and 2.3% of total revenues for the years ended December 31, 2021 and 2020, respectively.
- Wage related expenses including salaries and wages, payroll taxes, and employee benefits are the largest overall expenditure of the Library. These expenditures were \$656,763 and \$640,206, representing 57.0% and 57.7% of the Library's total expenditures on the full accrual basis of accounting for the years ended December 31, 2021 and 2020, respectively.
- Depreciation expense of \$102,179 and \$100,052, represents 8.9% and 9.0% of the Library's total expenditures on the full accrual basis of accounting for the years ended December 31, 2021 and 2020, respectively.
- Total expenditures under the modified accrual basis of accounting were \$1,162,206 and \$1,229,681 for the years ended December 31, 2021 and 2020, respectively.
- The Library's conversion to meet GASB 34 standards, which includes capitalization of Library-owned assets and associated depreciation expense and recognition of accrued sick pay, is reflected in the statement of net position and the statement of activities on pages 11 and 12 of this financial report.

CHARTER TOWNSHIP OF MILFORD LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2021

(Unaudited)

The Library's General Fund

A presentation of the Library's General Fund is shown on pages 11 and 12 in the first column of the respective statements. The fund column provides detailed information about the General 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 General Fund balance increased \$424,601 and \$116,757 during the years ended December 31, 2021 and 2020, 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 an impact on library services in 2021. The Library remained at stage 5 of our reopening plan throughout 2021, although some restrictions were lifted as conditions in the area changed. Programming resumed, some in person and some remaining virtual or as take-home crafts. The pandemic and inflation had a dramatic impact on the cost of supplies and items to assist with curbside and virtual services. Supply chain issues caused several projects, especially those requiring computer chips, to be delayed.

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 \$3,358 (\$359 for PPE, \$2,999 for digital inclusion) in 2021. For our digital inclusion grant, we purchased thirteen mobile hotspots for circulation to patrons. Reimbursement for expenses related to this grant were completed in 2021.

In the sixth year of the Local Community Stabilization Authority (LCSA) personal property tax reimbursements, an adjustment was made to account for income received under this program. The amount received in 2021 was 26.9% less than that received in 2020. It is difficult to budget for these reimbursements as the amount is not known at budget approval time.

CHARTER TOWNSHIP OF MILFORD LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2021

(Unaudited)

Library Budgetary Highlights (Concluded)

The Library continues to be a "fine free" library. Budgeted revenues were amended to reflect this fact. Revenues for state aid and state grants were amended to reflect increased state aid funding and the receipt of CARES Act grants. Revenue for state penal fines was increased to reflect increased funding in this area. Charges for services and fines and fees were decreased to reflect amounts received as the global pandemic continued to have an impact here as well. Interest income was decreased due to lowered interest rates.

Salaries and wages held steady through the year. An expected minimum wage increase did not occur due to unemployment rates in Michigan. Costs were higher for health care coverage, due to a change in plans, and therefore the employee benefits line item was increased.

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. \$24,182 was invested in this area.

Line items related to travel and education and training were reduced as both of these items became practically nonexistent during the continued pandemic.

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

Costs for electricity increased due to changes in price and additional hours that the Library was open.

Equipment was increased to account for replacement of computers, firewalls, printers, and the Library's file server.

Capital Assets and Debt Administration

At the end of the year, the Library had \$672,381 invested in building and land improvements, furniture and equipment, and library collections. The Library added \$78,790 in new collection items consisting of new books, various audio/visual materials, and enhancement of the music collection. In addition, \$33,330 was expended for various building improvements and furniture and equipment bringing the total 2021 capital expenditures to \$112,120.

CHARTER TOWNSHIP OF MILFORD LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2021

(Unaudited)

Capital Assets and Debt Administration (Concluded)

It should be noted that the library building itself is an asset of 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 Charter Township of Milford (see Note 6 in the Notes to Financial Statements).

Next Year's Budget and Millage Rates

The budget for fiscal year 2022 represents an increase of 1.3% over the original budget for fiscal year 2021. For 2022, 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 ten 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 continue to have an impact on our budget and the ability to plan in advance for promised reimbursements.

The Library's total millage rate is 1.4321 mills for the coming year. Based on the taxable value of the property in the Library's service area of \$1,070,923,490, this will generate approximately \$1,533,670 in property tax revenue. This line item on the budget is budgeted conservatively to account for any changes.

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

Fund balance is not being used to balance the budget in 2022.

Anticipated major expenditures for 2022 include equipment and furniture upgrades as well as potential improvement of the Library grounds and parking lots. The conversion of lighting to energy-efficient LED bulbs is expected to be completed as is the addition of auto openers for the Library restrooms. Funds for these expenditures will come from the budget line for building improvements.

CHARTER TOWNSHIP OF MILFORD LIBRARYMANAGEMENT'S DISCUSSION AND ANALYSIS (Concluded)
For the Year Ended December 31, 2021

(Unaudited)

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.

CHARTER TOWNSHIP OF MILFORD LIBRARY
GOVERNMENTAL FUND BALANCE SHEET /
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	General Fund, Modified Accrual Basis	Adjustments (Note 9)	Statement of Net Position
Assets			
Cash and investments (Note 2)	\$ 1,230,862	-	1,230,862
Restricted cash and investments (Note 2)	192,079	-	192,079
Property taxes receivable	766,348	-	766,348
Prepaid expenses	45,986	-	45,986
Capital assets, net of depreciation (Note 3)	<u>-</u>	<u>672,381</u>	<u>672,381</u>
Total Assets	<u>\$ 2,235,275</u>	<u>672,381</u>	<u>2,907,656</u>
Liabilities			
Accounts payable and accrued expenses	\$ 38,551	-	38,551
Accrued sick pay	<u>-</u>	<u>17,083</u>	<u>17,083</u>
Total Liabilities	<u>38,551</u>	<u>17,083</u>	<u>55,634</u>
Deferred Inflows of Resources			
Property tax revenue	<u>766,348</u>	<u>-</u>	<u>766,348</u>
Fund Balance/Net Position			
Fund Balance			
Nonspendable (Note 4)	238,065	(238,065)	-
Assigned (Note 4)	387,177	(387,177)	-
Unassigned (Note 4)	<u>805,134</u>	<u>(805,134)</u>	<u>-</u>
Total Fund Balance	<u>1,430,376</u>	<u>(1,430,376)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 2,235,275</u>		
Net Position			
Invested in capital assets		672,381	672,381
Restricted- nonexpendable (Note 5)		192,079	192,079
Unrestricted		<u>1,221,214</u>	<u>1,221,214</u>
Total Net Position		<u>2,085,674</u>	<u>2,085,674</u>

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, 2021

	General Fund, Modified Accrual Basis	Adjustments (Note 9)	Statement of Activities
Revenues:			
Property taxes	\$ 1,486,247	-	1,486,247
Industrial facilities tax	7,129	-	7,129
State penal fines	27,786	-	27,786
State aid	13,648	-	13,648
State grants	3,358	-	3,358
LSCA PPT reimbursement	23,110	-	23,110
Charges for services	1,084	-	1,084
Fines and fees	1,886	-	1,886
Contributions	9,585	-	9,585
Interest	8,504	-	8,504
Rentals	300	-	300
Other income	4,170	-	4,170
	<hr/>	<hr/>	<hr/>
Total Revenues	1,586,807	-	1,586,807
	<hr/>	<hr/>	<hr/>
Expenditures:			
Salaries and wages	534,911	(278)	534,633
Payroll taxes	40,647	-	40,647
Employee benefits	81,483	-	81,483
Education and training	563	-	563
Automation and computer services	63,859	-	63,859
Electronic content delivery	24,182	-	24,182
Supplies	16,694	-	16,694
Professional services	24,114	-	24,114
Communications	8,034	-	8,034
Memberships and dues	1,905	-	1,905
Travel	85	-	85
Advertising and promotion	14,374	-	14,374
Postage	2,662	-	2,662
Insurance	12,576	-	12,576
Miscellaneous	54	-	54
Utilities	99,136	-	99,136
Repairs and maintenance	103,771	-	103,771
Programming	13,277	-	13,277
Collections maintenance	5,507	-	5,507
Books	57,829	(57,829)	-
Periodicals	7,616	(7,616)	-
Audio/visual	13,345	(13,345)	-
Building improvements	13,708	(13,708)	-
Equipment	20,944	(19,622)	1,322
Furniture and fixtures	930	-	930
Depreciation	-	102,179	102,179
	<hr/>	<hr/>	<hr/>
Total Expenditures	1,162,206	(10,219)	1,151,987
	<hr/>	<hr/>	<hr/>
Excess of Revenues Over Expenditures/Change in Net Position	424,601	10,219	434,820
	<hr/>	<hr/>	<hr/>
Fund Balance/Net Position - Beginning of Year	1,005,775	645,079	1,650,854
	<hr/>	<hr/>	<hr/>
Fund Balance/Net Position - End of Year	\$ 1,430,376	655,298	2,085,674
	<hr/>	<hr/>	<hr/>

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

CHARTER TOWNSHIP OF MILFORD LIBRARY
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2021

	Employee Defined Contribution Retirement Plan
Assets	
Investments (Note 7)	\$ <u>125,443</u>
Net position	
Restricted for benefits (Note 7)	\$ <u>125,443</u>

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

CHARTER TOWNSHIP OF MILFORD LIBRARY
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2021

	Employee Defined Contribution Retirement Plan
	<u>Plan</u>
Additions	
Net investment earnings	\$ 13,338
Employer contributions (Note 7)	12,540
Employee contributions	<u>1,200</u>
Total additions	<u>27,078</u>
Deductions	
Employee withdrawals	<u>2,856</u>
Change in net position	24,222
Net Position - Beginning of Year	<u>101,221</u>
Net Position - End of Year	\$ <u><u>125,443</u></u>

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

NOTES TO FINANCIAL STATEMENTS

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity:

The Charter Township of Milford Library (the Library) was established for the purpose of providing all residents of the Charter Township of Milford 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 the Charter Township of Milford. 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 Library reports 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund financial statements (concluded):

The Library reports the following fiduciary fund:

The Employee Defined Contribution Retirement Plan accounts for the activity of the Library's defined contribution 401(a) retirement plan. The activity in this fund is held on behalf of current participants and beneficiaries.

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 funds 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 sixty 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 accrued 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 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and fiduciary fund financial statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) and the fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 governmental fund balance sheet and statement of net position includes deferred inflows of resources. This amount represents an acquisition of fund balance and net position that applies to a future period and, accordingly, will not be recognized as revenue until that time. The Library's deferred inflows of resources are related to property tax collections.

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 cost, if purchased, or at fair market value at the date of gift, if donated. 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	20 years
Furniture and equipment	3-10 years
Library collections	10 years

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 450 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.

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.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund equity (concluded):

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.

When an expenditure is incurred for which various fund balance classifications can be used, the Library's policy considers amounts to have been spent in the following order: 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.

Restricted net position:

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

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

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 2020 total taxable value for the property within the township was \$1,032,409,970 on which ad valorem taxes of 1.4362 mills were levied. These taxes were recorded as revenue during the year ended December 31, 2021.

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.

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.

Subsequent events:

Subsequent events were evaluated by management through May 23, 2022, which is the date the financial statements were available to be issued. In management's opinion, no subsequent events occurred which require disclosure.

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 2. 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, 2021, the deposits and investments of the Library are classified by Governmental Accounting and Standards Board Statement No. 3 in the following categories:

Petty cash	\$	583
Bank deposits - checking account		75,522
Bank deposits - certificate of deposit		603,527
Investments		743,309
	\$	<u>1,422,941</u>

At year end, the Library had checking account bank deposits of \$80,606. The difference of \$5,084 between the checking account bank deposit balance and the carrying value of \$75,522 represents checks written but not yet cashed at year end.

Restricted cash and investments of \$192,079 is comprised of two endowment funds, as described in Note 5.

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.

Custodial credit risk of bank deposits:

Custodial credit risk of bank deposits 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 policy for custodial credit risk of bank deposits. All of the Library's checking account deposits are insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2021, the Library had \$603,527 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 FDIC is not determinable.

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 2. DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk of investments:

Custodial credit risk of investments 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 of investments. 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, 2021, all of the Library's investments were invested in the Oakland County Local Government Investment Pool which is not rated.

Concentration of credit risk:

It is the policy of the Library to diversify its investment portfolio but the investment policy does not list specific limits on the amount that may be invested in any one issuer.

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. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in this fair value hierarchy.

Investment in entity that calculates net asset value per share:

The Library holds the following investment for which the fair value is measured on a recurring basis using net asset value per share (or its equivalent) as a practical expedient. At December 31, 2021, the fair value, unfunded commitments, and redemption rule of the investment is as follows:

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 2. DEPOSITS AND INVESTMENTS (Concluded)

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Oakland County Local Government Investment Pool	\$ 743,309	-	No restrictions	None

The Oakland County Local Government Investment Pool (LGIP) invests assets in a manner that seeks the highest investment return consistent with the preservation of principal and meets the daily liquidity needs of participants. The LGIP is not subject to regulatory oversight, is not registered with the SEC, and does not issue a separate report. The fair value of the position in the pool is not the same as the value of the pool shares because the pool does not meet the requirements under GASB 79 to report its value for financial reporting purposes at amortized cost.

Note 3. CAPITAL ASSETS

A summary of changes in capital assets during the year ended December 31, 2021 follows:

	<u>January 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2021</u>
Capital assets not being depreciated:				
Land	\$ 57,035	-	-	57,035
Capital assets being depreciated:				
Building and land improvements	352,697	13,708	-	366,405
Furniture and equipment	582,109	19,622	(9,132)	592,599
Library collections	789,257	78,790	(111,102)	756,945
	<u>1,724,063</u>	<u>112,120</u>	<u>(120,234)</u>	<u>1,715,949</u>
Less accumulated depreciation:				
Building and land improvements	(131,875)	(20,499)	-	(152,374)
Furniture and equipment	(532,118)	(13,292)	9,132	(536,278)
Library collections	(454,665)	(68,388)	111,102	(411,951)
	<u>(1,118,658)</u>	<u>(102,179)</u>	<u>120,234</u>	<u>(1,100,603)</u>
Net capital assets being depreciated	<u>605,405</u>	<u>9,941</u>	<u>-</u>	<u>615,346</u>
Capital assets, net	\$ <u>662,440</u>	<u>9,941</u>	<u>-</u>	<u>672,381</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 4. 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 the governmental fund is as follows:

Nonspendable

Prepays	\$ 45,986
Endowment funds	<u>192,079</u>
	<u>238,065</u>

Assigned

Tax appeals	1,000
Art sculpture	6,000
Building improvements	343,045
Technology improvements	25,000
Collections development	5,000
Staff development	5,000
Adult programming	<u>2,132</u>
	<u>387,177</u>

Unassigned	<u>805,134</u>
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Total fund balance	\$ <u><u>1,430,376</u></u>
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Note 5. RESTRICTED NET POSITION

The Library's restricted net position was permanently restricted for the following endowment funds at December 31, 2021:

Alta M. Tripp Endowment Fund	\$ 27,579
Carlton E. Tripp and Frances E. Tripp Memorial Fund	<u>164,500</u>
	<u>\$ 192,079</u>

Note 6. LEASE AGREEMENT

During the year ended December 31, 2004, the Library entered into an operating lease agreement with the Charter 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 7. DEFINED CONTRIBUTION 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. Employees are permitted to but are not required to contribute to the plan.

The Library Board has established a policy that the amount of employer contributions, if any, to the plan will be determined annually. As established by the Library's Board, the Library contributed three percent of eligible employees' gross earnings during the year ended December 31, 2021 which amounted to \$12,540. The Library's contributions for each employee are fully vested immediately.

Employee and employer contributions are deposited into a custodial account held with Nationwide Financial Services, Inc. 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. In accordance with GASB requirements, this custodial account is reported in a fiduciary fund and is not included in the government-wide financial statements because the assets of this fund are not available for the Library's own programs. At December 31, 2021, the carrying amount and market value of the investments of the custodial account held with Nationwide Financial Services, Inc. was \$125,443.

Note 8. 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 Township Participating Plan for claims relating to property loss, torts, and errors and omissions. The Library is uninsured for unemployment compensation claims. The Michigan Township 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.

NOTES TO FINANCIAL STATEMENTS (Concluded)

Note 9. 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:

Total fund balance - governmental fund	\$ 1,430,376
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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.	672,381
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Accrued sick pay is not due and payable in the current period and therefore is not reported in the governmental fund.	(17,083)
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Net position of governmental activities	\$ <u>2,085,674</u>
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Net change in fund balance - governmental fund	\$ 424,601
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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	112,120
Depreciation expense	(102,179)

Accrued sick pay does not require the use of current financial resources and therefore the adjustments to accrued sick pay are not included.	278
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Change in net position of governmental activities	\$ <u>434,820</u>
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CHARTER TOWNSHIP OF MILFORD LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2021

(Unaudited)

	Original Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenue				
Property taxes	\$ 1,478,000	1,485,000	1,486,247	1,247
Industrial facilities tax	5,000	7,000	7,129	129
State penal fines	17,000	27,000	27,786	786
State aid	6,000	13,648	13,648	-
State grants	-	3,352	3,358	6
LSCA PPT reimbursement	20,000	23,000	23,110	110
Charges for services	4,300	640	1,084	444
Fines and fees	2,500	1,700	1,886	186
Contributions	5,500	9,200	9,585	385
Interest	14,000	7,000	8,504	1,504
Rentals	-	300	300	-
Other income	1,000	4,000	4,170	170
Total Revenues	1,553,300	1,581,840	1,586,807	4,967
Expenditures				
Salaries and wages	601,800	601,800	534,911	66,889
Payroll taxes	46,040	46,040	40,647	5,393
Employee benefits	76,940	82,940	81,483	1,457
Education and training	4,800	1,300	563	737
Automation and computer services	68,600	68,600	63,859	4,741
Electronic content delivery	47,300	47,300	24,182	23,118
Supplies	23,000	20,570	16,694	3,876
Professional services	31,800	31,800	24,114	7,686
Communications	2,850	8,850	8,034	816
Memberships and dues	2,930	2,930	1,905	1,025
Travel	4,000	1,900	85	1,815
Advertising and promotion	13,050	15,050	14,374	676
Postage	4,200	4,200	2,662	1,538
Insurance	13,500	13,500	12,576	924
Miscellaneous	90	160	54	106
Utilities	97,000	107,000	99,136	7,864
Repairs and maintenance	130,500	130,500	103,771	26,729
Programming	17,000	17,000	13,277	3,723
Collections maintenance	10,000	10,000	5,507	4,493
Books	69,000	69,500	57,829	11,671
Periodicals	9,000	9,000	7,616	1,384
Audio/visual	18,900	18,900	13,345	5,555
Building improvements	235,000	235,000	13,708	221,292
Equipment	11,000	23,000	20,944	2,056
Furniture and fixtures	15,000	15,000	930	14,070
Total Expenditures	1,553,300	1,581,840	1,162,206	419,634
Excess of Revenues Over Expenditures	-	-	424,601	424,601
Fund Balance - Beginning of Year	1,005,775	1,005,775	1,005,775	-
Fund Balance - End of Year	\$ 1,005,775	1,005,775	1,430,376	424,601