

CHARTER TOWNSHIP OF MILFORD LIBRARY

FINANCIAL REPORT
December 31, 2022

C O N T E N T S

	Page
INDEPENDENT AUDITORS' REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	4-9
BASIC FINANCIAL STATEMENTS	
Governmental Fund Balance Sheet/Statement of Net Position	10
Statement of Governmental Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities	11
Statement of Fiduciary Net Position	12
Statement of Changes in Fiduciary Net Position	13
Notes to Financial Statements	14-27
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund (Unaudited)	28

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
 Charter Township of Milford Library
 Milford, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the fiduciary fund of the Charter Township of Milford Library (the Library) as of and for the year ended December 31, 2022, 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, the major fund, and the fiduciary fund of the Charter Township of Milford Library, as of December 31, 2022, 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.

PRINCIPALS

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

MEMBERS

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

ADDRESS

109 West Clinton Street
 Howell, Michigan 48843

To the Board of Trustees
Charter Township of Milford Library

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

To the Board of Trustees
Charter Township of Milford Library

**Auditors' Responsibilities for the Audit of the Financial Statements
(Concluded)**

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter Township of Milford Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Charter Township of Milford Library's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Bredernitz, Wagner & Co., P.C.

May 12, 2023

CHARTER TOWNSHIP OF MILFORD LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2022
(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, 2022

(Unaudited)

Condensed Financial Information

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

	December 31, 2022	December 31, 2021
Assets		
Current assets	\$ 2,208,019	2,235,275
Capital assets, net	770,102	672,381
Total Assets	2,978,121	2,907,656
Liabilities		
Current liabilities	82,000	55,634
Deferred Inflows of Resources	344,335	766,348
Net Position		
Invested in capital assets	770,102	672,381
Restricted, nonexpendable	192,079	192,079
Unrestricted	1,589,605	1,221,214
Total Net Position	\$ 2,551,786	2,085,674
Revenues		
Program revenues		
Library services and fines	\$ 5,555	2,970
Contributions	2,306	9,585
General revenues		
Property taxes	1,535,050	1,486,247
Other	191,084	88,005
Total Revenues	1,733,995	1,586,807
Expenses		
Library services/operations	1,267,883	1,151,987
Change in Net Position	\$ 466,112	434,820

CHARTER TOWNSHIP OF MILFORD LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2022

(Unaudited)

The Library as a Whole

- The Library reports net position of \$2,551,786 and \$2,085,674 on a full accrual basis, as compared to \$1,802,319 and \$1,430,376 on the modified accrual basis of accounting for the years ended December 31, 2022 and 2021, respectively.
- The Library's primary source of revenue is from property taxes. Total tax collections were \$1,535,050 and \$1,486,247, representing 88.5% and 93.7% of total revenues for the years ended December 31, 2022 and 2021, 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 \$92,497 and \$23,110, representing 5.3% and 1.5% of total revenues for the years ended December 31, 2022 and 2021, respectively.
- Wage related expenses including salaries and wages, payroll taxes, and employee benefits are the largest overall expenditure of the Library. These expenditures were \$722,136 and \$656,763, representing 57.0% of the Library's total expenditures on the full accrual basis of accounting for both years ended December 31, 2022 and 2021.
- Depreciation expense of \$104,952 and \$102,179, represents 8.3% and 8.9% of the Library's total expenditures on the full accrual basis of accounting for the years ended December 31, 2022 and 2021, respectively.
- Total expenditures under the modified accrual basis of accounting were \$1,362,052 and \$1,162,206 for the years ended December 31, 2022 and 2021, 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 10 and 11 of this financial report.

CHARTER TOWNSHIP OF MILFORD LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2022

(Unaudited)

The Library's General Fund

A presentation of the Library's General Fund is shown on pages 10 and 11 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 \$371,943 and \$424,601 during the years ended December 31, 2022 and 2021, 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 2022, although more minor than the previous year. The Library was fully open in 2022 and programming resumed, some in person and some remaining virtual or 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 Network (TLN) was a recipient of a federal ARPA grant for our MI-83 Technology, Libraries, and Communities (MI-83 TLC Kits) project. Through this project, the Library received five Chromebooks for circulation to patrons. TLN served as the fiscal agent for this grant. Funds received from the Friends of the Library were used to provide service for mobile hotspots paired with these Chromebooks.

As property tax revenue is conservatively estimated at budget time, those items were amended to reflect actual revenue.

CHARTER TOWNSHIP OF MILFORD LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2022

(Unaudited)

Library Budgetary Highlights (Concluded)

As the amount to be received is unknown at budget approval time, adjustments were made for a significant increase in funds received from the Local Community Stabilization Authority personal property tax reimbursement program.

The Library continues to be a "fine free" library. Budgeted revenues reflected this fact. Revenue from state aid was amended to reflect increased state aid funding. Charges for services and fines and fees were increased to more accurately reflect actual income. Other revenue was increased to reflect insurance claim income received due to lightning damaged HVAC equipment.

Communications were increased as we added to our hotspot inventory due to demand.

Utilities were increased due to changes in price and additional hours that the Library was open.

Capital Assets and Debt Administration

At the end of the year, the Library had \$770,102 invested in building and land improvements, furniture and equipment, and library collections. The Library added \$89,843 in new collection items consisting of new books, various audio/visual materials, and periodicals. In addition, \$112,830 was expended for various building and land improvements and furniture and equipment bringing the total 2022 capital expenditures to \$202,673.

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).

CHARTER TOWNSHIP OF MILFORD LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Concluded)

For the Year Ended December 31, 2022

(Unaudited)

Next Year's Budget and Millage Rates

The budget for 2023 represents an increase of 5.1% over the original budget for 2022.

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 1.4277 mills for the coming year. Based on the taxable value of the property in the Library's service area of \$1,117,897,400, this will generate approximately \$1,596,022 in property tax revenue. This line item on the budget is budgeted conservatively to account for any changes.

Local property taxes account for 94.1% of budgeted Library revenues.

Fund balance is not being used to balance the budget in 2023.

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, 2022

	<u>General Fund, Modified Accrual Basis</u>	<u>Adjustments (Note 9)</u>	<u>Statement of Net Position</u>
Assets			
Cash and investments (Note 2)	\$ 1,629,811	-	1,629,811
Restricted cash and investments (Note 2)	192,079	-	192,079
Property taxes receivable	344,335	-	344,335
Prepaid expenses	41,794	-	41,794
Capital assets, net of depreciation (Note 3)	<u>-</u>	<u>770,102</u>	<u>770,102</u>
Total Assets	<u>\$ 2,208,019</u>	<u>770,102</u>	<u>2,978,121</u>
Liabilities			
Accounts payable	\$ 45,233	-	45,233
Accrued expenses	15,832	-	15,832
Accrued sick pay	-	20,635	20,635
Due to fiduciary fund (Note 7)	<u>300</u>	<u>-</u>	<u>300</u>
Total Liabilities	<u>61,365</u>	<u>20,635</u>	<u>82,000</u>
Deferred Inflows of Resources			
Property tax revenue	<u>344,335</u>	<u>-</u>	<u>344,335</u>
Fund Balance/Net Position			
Fund Balance			
Nonspendable (Note 4)	233,873	(233,873)	-
Assigned (Note 4)	803,000	(803,000)	-
Unassigned (Note 4)	<u>765,446</u>	<u>(765,446)</u>	<u>-</u>
Total Fund Balance	<u>1,802,319</u>	<u>(1,802,319)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 2,208,019</u>		
Net Position			
Invested in capital assets		770,102	770,102
Restricted- nonexpendable (Note 5)		192,079	192,079
Unrestricted		<u>1,589,605</u>	<u>1,589,605</u>
Total Net Position		<u>2,551,786</u>	<u>2,551,786</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, 2022

	General Fund, Modified Accrual Basis	Adjustments (Note 9)	Statement of Activities
Revenues:			
Property taxes	\$ 1,535,050	-	1,535,050
Industrial facilities tax	7,301	-	7,301
State penal fines	25,537	-	25,537
State aid	16,796	-	16,796
State grants	1,715	-	1,715
LSCA PPT reimbursement	92,497	-	92,497
Charges for services	2,390	-	2,390
Fines and fees	3,165	-	3,165
Contributions	2,306	-	2,306
Interest	12,218	-	12,218
Rentals	600	-	600
Other revenue	34,420	-	34,420
	<u>1,733,995</u>	<u>-</u>	<u>1,733,995</u>
Total Revenues			
Expenditures:			
Salaries and wages	599,045	3,552	602,597
Payroll taxes	44,866	-	44,866
Employee benefits	74,673	-	74,673
Education and training	1,137	-	1,137
Automation and computer services	67,387	-	67,387
Electronic content delivery	32,013	-	32,013
Supplies	17,627	-	17,627
Professional services	28,362	-	28,362
Communications	10,568	-	10,568
Memberships and dues	1,409	-	1,409
Travel	744	-	744
Advertising and promotion	13,186	-	13,186
Postage	3,384	-	3,384
Insurance	12,331	-	12,331
Miscellaneous	3	-	3
Utilities	99,329	-	99,329
Repairs and maintenance	126,872	-	126,872
Programming	16,592	-	16,592
Collections maintenance	6,906	-	6,906
Books	64,930	(64,930)	-
Periodicals	7,797	(7,797)	-
Audio/visual	17,116	(17,116)	-
Building and land improvements	105,995	(105,995)	-
Equipment	8,961	(6,835)	2,126
Furniture and fixtures	819	-	819
Depreciation	-	104,952	104,952
	<u>1,362,052</u>	<u>(94,169)</u>	<u>1,267,883</u>
Total Expenditures			
Excess of Revenues			
Over Expenditures/Change in Net Position	371,943	94,169	466,112
Fund Balance/Net Position - Beginning of Year	<u>1,430,376</u>	<u>655,298</u>	<u>2,085,674</u>
Fund Balance/Net Position - End of Year	<u>\$ 1,802,319</u>	<u>749,467</u>	<u>2,551,786</u>

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, 2022

		Employee Defined Contribution Retirement Plan
		<u> </u>
Assets		
Undeposited funds	\$	12,085
Investments (Note 7)		96,442
Due from general fund		300
		<u> </u>
Total assets	\$	<u><u>108,827</u></u>
Net position		
Restricted for benefits (Note 7)	\$	<u><u>108,827</u></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, 2022

	Employee Defined Contribution Retirement Plan
Additions	
Investment gain (loss)	\$ (23,856)
Employer contributions (Note 7)	13,323
Employee contributions	5,000
Total additions	(5,533)
Deductions	
Employee withdrawals	(11,083)
Change in net position	(16,616)
Net Position - Beginning of Year	125,443
Net Position - End of Year	\$ 108,827

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

CHARTER TOWNSHIP OF MILFORD LIBRARY

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.

CHARTER TOWNSHIP OF MILFORD LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund financial statements (concluded):

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.

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. This fund is not included in the government-wide financial statements because the resources of this fund are not available for the Library's own use.

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.

CHARTER TOWNSHIP OF MILFORD LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental funds financial statements (concluded):

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.

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.

CHARTER TOWNSHIP OF MILFORD LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CHARTER TOWNSHIP OF MILFORD LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. 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.

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.

CHARTER TOWNSHIP OF MILFORD LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund balance classification policies and procedures (concluded):

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.

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.

CHARTER TOWNSHIP OF MILFORD LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Property taxes (concluded):

The 2021 total taxable value for the property within the township was \$1,068,998,380 on which ad valorem taxes of 1.4321 mills were levied. These taxes were recorded as revenue during the year ended December 31, 2022.

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 12, 2023, which is the date the financial statements were available to be issued. In management's opinion, no subsequent events occurred which require disclosure.

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, 2022, the deposits and investments of the Library are classified by Governmental Accounting and Standards Board Statement No. 3 in the following categories:

CHARTER TOWNSHIP OF MILFORD LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 2. DEPOSITS AND INVESTMENTS (Continued)

Petty cash	\$	636
Bank deposits - checking account		261,047
Bank deposits - certificate of deposit		399,420
Investments		<u>1,160,787</u>
	\$	<u>1,821,890</u>

At year end, the Library had checking account bank deposits of \$282,190. The difference of \$21,143 between the checking account bank deposit balance and the carrying value of \$261,047 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.

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. The Library maintains a checking account at a financial bank insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2022, \$32,190 of the Library's bank deposits was not insured by FDIC. At December 31, 2022, the Charter Township of Milford held \$399,420 in certificates of deposit for the Library. Since these amounts are held by the Charter Township of Milford, the amount covered by FDIC is not determinable. The Library has not experienced a loss of deposits due to bank failure. Therefore, the Library considers its custodial credit risk of bank deposits to be minimal.

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 failure of the counterparty. Therefore, the Library considers its custodial credit risk of investments to be minimal.

CHARTER TOWNSHIP OF MILFORD LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 2. DEPOSITS AND INVESTMENTS (Continued)

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.

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.

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, 2022, all of the Library's investments were invested in the Oakland County Local Government Investment Pool which is not rated.

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, 2022, the fair value, unfunded commitments, and redemption rule of the investment is as follows:

	<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	\$ 1,160,787	-	No restrictions	None

CHARTER TOWNSHIP OF MILFORD LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 2. DEPOSITS AND INVESTMENTS (Concluded)

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, 2022 follows:

	January 1, 2022	Additions	Deletions	December 31, 2022
Capital assets not being depreciated:				
Land	\$ 57,035	-	-	57,035
Capital assets being depreciated:				
Building and land improvements	366,405	105,995	-	472,400
Furniture and equipment	592,599	6,835	(13,011)	586,423
Library collections	756,945	89,843	(67,318)	779,470
	<u>1,715,949</u>	<u>202,673</u>	<u>(80,329)</u>	<u>1,838,293</u>
Less accumulated depreciation:				
Building and land improvements	(152,374)	(22,171)	-	(174,545)
Furniture and equipment	(536,278)	(12,803)	13,011	(536,070)
Library collections	(411,951)	(69,978)	67,318	(414,611)
	<u>(1,100,603)</u>	<u>(104,952)</u>	<u>80,329</u>	<u>(1,125,226)</u>
Net capital assets being depreciated	<u>615,346</u>	<u>97,721</u>	<u>-</u>	<u>713,067</u>
Capital assets, net	<u>\$ 672,381</u>	<u>97,721</u>	<u>-</u>	<u>770,102</u>

CHARTER TOWNSHIP OF MILFORD LIBRARY

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	\$ 41,794
Endowment funds	192,079
	<u>233,873</u>
Assigned	
Tax appeals	1,000
Art sculpture	6,000
Building improvements	771,000
Technology improvements	25,000
	<u>803,000</u>
Unassigned	<u>765,446</u>
Total fund balance	<u>\$ 1,802,319</u>

Note 5. RESTRICTED NET POSITION

The Library's restricted net position was permanently restricted for the following endowment funds at December 31, 2022:

Alta M. Tripp Endowment Fund	\$ 27,579
Carlton E. Tripp and Frances E. Tripp Memorial Fund	164,500
	<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.

CHARTER TOWNSHIP OF MILFORD LIBRARY

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, 2022, which amounted to \$13,323. 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, 2022, the carrying amount and market value of the investments of the custodial account held with Nationwide Financial Services, Inc. was \$96,442. At December 31, 2022, the fiduciary fund had undeposited funds of \$12,085 and a receivable from the general fund of \$300 for accrued contributions.

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.

CHARTER TOWNSHIP OF MILFORD LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

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:

Net change in fund balance - governmental fund	\$ 371,943
--	------------

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	202,673
Depreciation expense	(104,952)

Accrued sick pay does not require the use of current financial resources and therefore the adjustments to accrued sick pay are not included.

(3,552)

Change in net position of governmental activities	\$ <u>466,112</u>
---	-------------------

CHARTER TOWNSHIP OF MILFORD LIBRARY

NOTES TO FINANCIAL STATEMENTS (Concluded)

Note 9. RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS (Concluded)

Total fund balance - governmental fund	\$ 1,802,319
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.	770,102
Accrued sick pay is not due and payable in the current period and therefore is not reported in the governmental fund.	<u>(20,635)</u>
Net position of governmental activities	<u>\$ 2,551,786</u>

CHARTER TOWNSHIP OF MILFORD LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2022

(Unaudited)

	Original Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenue				
Property taxes	\$ 1,493,000	1,533,100	1,535,050	1,950
Industrial facilities tax	5,000	7,000	7,301	301
State penal fines	25,000	25,000	25,537	537
State aid	12,000	16,500	16,796	296
State grants	-	-	1,715	1,715
LSCA PPT reimbursement	15,000	92,000	92,497	497
Charges for services	1,100	1,900	2,390	490
Fines and fees	1,000	2,900	3,165	265
Contributions	5,500	2,200	2,306	106
Interest	12,000	6,500	12,218	5,718
Rentals	600	600	600	-
Other revenue	3,000	28,000	34,420	6,420
Total Revenues	<u>1,573,200</u>	<u>1,715,700</u>	<u>1,733,995</u>	<u>18,295</u>
Expenditures				
Salaries and wages	666,600	711,600	599,045	112,555
Payroll taxes	51,000	56,000	44,866	11,134
Employee benefits	98,260	98,260	74,673	23,587
Education and training	4,800	4,800	1,137	3,663
Automation and computer services	74,700	81,700	67,387	14,313
Electronic content delivery	52,000	52,000	32,013	19,987
Supplies	22,000	27,000	17,627	9,373
Professional services	46,350	46,350	28,362	17,988
Communications	10,840	12,840	10,568	2,272
Memberships and dues	3,000	3,000	1,409	1,591
Travel	4,000	4,000	744	3,256
Advertising and promotion	15,050	15,050	13,186	1,864
Postage	4,200	4,200	3,384	816
Insurance	15,000	15,000	12,331	2,669
Miscellaneous	400	400	3	397
Utilities	104,000	118,000	99,329	18,671
Repairs and maintenance	129,600	129,600	126,872	2,728
Programming	20,000	20,500	16,592	3,908
Collections maintenance	10,000	10,000	6,906	3,094
Books	75,000	75,500	64,930	10,570
Periodicals	9,000	9,000	7,797	1,203
Audio/visual	20,900	21,100	17,116	3,984
Building and land improvements	110,000	115,000	105,995	9,005
Equipment	14,500	14,500	8,961	5,539
Furniture and fixtures	12,000	12,000	819	11,181
Total Expenditures	<u>1,573,200</u>	<u>1,657,400</u>	<u>1,362,052</u>	<u>295,348</u>
Excess of Revenues Over Expenditures	-	58,300	371,943	313,643
Fund Balance - Beginning of Year	<u>1,430,376</u>	<u>1,430,376</u>	<u>1,430,376</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 1,430,376</u>	<u>1,488,676</u>	<u>1,802,319</u>	<u>313,643</u>