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**FRASER PUBLIC LIBRARY
MACOMB COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
<hr/>	
Government-wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Governmental Fund	
Balance Sheet	13
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balance	15
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance with Statement of	16
Notes to the Financial Statements	18
REQUIRED SUPPLEMENTARY INFORMATION	
<hr/>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	27

INDEPENDENT AUDITOR'S REPORT

To the Library Board
Fraser Public Library

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Fraser Public Library, Michigan (the "Library"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Library as of June 30, 2023, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Library to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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.
- 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 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 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.



Gabridge & Company, PLC
Grand Rapids, Michigan
December 15, 2023

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Management's Discussion and Analysis

Fraser Public Library
Management's Discussion and Analysis
June 30, 2023

As management of the Fraser Public Library (the "Library"), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

- The assets of the Library exceeded its liabilities at the close of this fiscal year by \$527,330 (shown as *net position*). Of this amount \$422,100 (*unrestricted net position*) may be used to meet the Library's ongoing services and obligations.
- During the year, the Library received \$683,281 in revenues and incurred \$718,968 in expenses, resulting in a decrease in net position of \$35,687.
- The general fund decreased its fund balance by \$10,183 during the year for an ending fund balance of \$439,541.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$428,346 or 61.8% of the general fund's total expenditures.

Overview of the Financial Statements

The Library's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide a broad overview of the Library's financial position. They are presented using a method of accounting that is similar to a private sector business.

The *statement of net position* presents information on all of the Library's assets and liabilities, with the difference being reported as the net position. Over time, increases or decreases in net position can serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The *statement of activities* presents information showing how the Library's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., capital asset activity).

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The Library uses fund accounting to ensure compliance with finance-related legal requirements.

Governmental Funds. The Library's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments, and certain other items are treated differently than on the government-wide statements. These items are recorded in the government fund balance as expenditures. No depreciation is recorded on capital items. The balance sheet for governmental funds does not include any capital items or long-term debt. The general fund is the only governmental fund for the Library.

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

Notes to the Financial Statements. The notes to the financial statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report further presents required supplementary information (RSI) that demonstrates compliance with the Library's budget.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of overall financial position. In the case of the Library, assets exceeded liabilities by \$527,330 as of June 30, 2023. Following is a schedule showing the Library's components of net position as of the year ended June 30, 2023 and June 30, 2022:

Fraser Public Library's Net Position

ASSETS	2023	2022
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 430,962	\$ 445,842
Accounts Receivable	23,659	26,464
Prepaid Items	5,395	1,264
Total Current Assets	460,016	473,570
<i>Noncurrent Assets</i>		
Capital Assets being Depreciated, net	99,430	125,167
Total Assets	559,446	598,737
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	16,653	18,870
Accrued Payroll and Related Liabilities	3,822	4,976
Compensated Absences	11,641	11,874
Total Liabilities	32,116	35,720
NET POSITION		
Investment in Capital Assets	99,430	125,167
Restricted	5,800	6,058
Unrestricted	422,100	431,792
Total Net Position	\$ 527,330	\$ 563,017

A large portion of the Library's net position (\$99,430, or 19%) reflects its investment in capital assets (e.g., equipment, furniture, and library books). The Library uses these capital assets to provide a variety of services to its patrons. Accordingly, these assets are not available for future spending.

A small portion of the Library's net position (\$5,800, or 1%) are donor restricted to be used on a specific purpose.

The remaining balance of net position (\$422,100, or 80%) is unrestricted and may be used to meet the Library's ongoing obligations to its patrons and creditors.

Cash balances decreased by \$14,880. This decrease closely follows the decrease in fund balance of \$10,183. There was also a decrease in capital assets of \$25,737 due to depreciation expense of \$26,964 and loss on disposal of \$15,165 exceeding capital outlay expenditures of \$16,392.

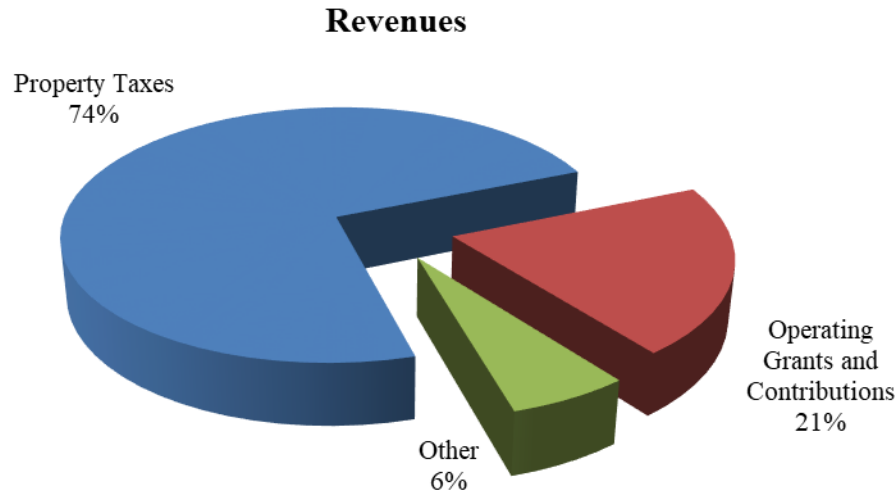
Governmental Activities. In the year ended June 30, 2023, the Library’s major source of financing its operations was property taxes and penal fines. Following is a schedule showing the changes in net position of the Library for the years ended June 30, 2023 and June 30, 2022:

	2023	2022
Program Revenues		
Charges for Services	\$ 7,136	\$ 5,361
Operating Grants and Contributions	141,404	123,600
<i>Total Program Revenues</i>	148,540	128,961
General Revenues		
Property Taxes	500,533	483,989
Intergovernmental Revenue	14,933	16,073
Penal Fines	9,640	9,385
Interest	9,635	21
<i>Total General Revenues</i>	534,741	509,468
Total Revenues	683,281	638,429
Expenses		
Recreation and Culture	718,968	612,935
Total Expenses	718,968	612,935
<i>Net Change in Net Position</i>	(35,687)	25,494
Net Position at Beginning of Period	563,017	537,523
<i>Net Position at End of Period</i>	\$ 527,330	\$ 563,017

Property taxes increased by \$16,544 due to an increase of 5.4% in the taxable value of the remitting local units net of a reduction of 1.7% in millage due to annual Headlee adjustment. Total expenses increased by \$106,033 during 2023. This increase is due to \$51,237 increase in salaries, wages, and benefits – additional full-time employee added plus \$45k increase in contractual services.

Governmental Activities

The following chart details the revenue sources for the governmental activities of the Library for the most recent fiscal year-end:



Salaries and payroll taxes were the largest expenses for the Library. The Library spent \$454,931 on salaries and payroll taxes, or 63% of the Library's total expenses. Other significant expenses for the Library were contracted services expense of \$119,493, which represented 17% of total expenses, and depreciation expense of \$26,964, which represented 4% of total expenses within the Library during the year ended June 30, 2023.

Financial Analysis of the Government's Funds

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

General Fund. The general fund is the only fund of the Library. At the end of the current fiscal year, unassigned fund balance of the general fund was \$428,346. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 61.8% of total general fund expenditures.

The fund balance of the Library's general fund decreased by \$10,183 during the year ended June 30, 2023.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there were no significant amendments to original budgeted revenues or appropriations.

Final budget compared to actual results. The Library had the following expenditure budget exceptions for fiscal year 2023:

<u>General Fund</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Salaries and Wages	\$ 378,000	\$ 387,130	\$ (9,130)
Payroll Taxes	29,000	29,841	(841)
Other Benefits	29,268	29,360	(92)
Supplies	8,000	8,291	(291)
Professional and Contractual Services	118,000	119,493	(1,493)
Programming	5,000	5,460	(460)
Memberships	5,800	8,672	(2,872)
Repair and Maintenance	22,900	23,910	(1,010)
Rentals	6,500	6,841	(341)
Other Expenditures	3,099	3,101	(2)

Capital Asset Administration

Capital Assets. The Library's investment in capital assets at year-end amounted to \$99,430 (net of accumulated depreciation). Capital assets of the Library include any items purchased that have an expected useful life of over one year and a cost of over \$5,000. The Library has invested in a broad range of capital assets. More information about the Library's capital assets can be found in the notes to the financial statements section of this document.

Economic Factors and Next Year's Budgets and Rates

Management estimates that approximately \$650,000 of revenues will be available for appropriation in the general fund in the upcoming budget. The Library continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments.

Contacting the Library's Management

This financial report is designed to provide the wide variety of users of this document with a general overview of the Library's finances and demonstrate the Library's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to:

Fraser Public Library
16330 E 14 Mile Rd.
Fraser, MI 48026

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Basic Financial Statements

**Fraser Public Library
Statement of Net Position
June 30, 2023**

ASSETS

Current Assets

Cash and Cash Equivalents	\$	430,962
Accounts Receivable		23,659
Prepaid Items		5,395
Total Current Assets		460,016

Noncurrent Assets

Capital Assets being Depreciated, net		99,430
Total Assets		559,446

LIABILITIES

Current Liabilities

Accounts Payable		16,653
Accrued Payroll and Related Liabilities		3,822
Compensated Absences		11,641
Total Liabilities		32,116

NET POSITION

Investment in Capital Assets		99,430
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Restricted for:

Memorials		700
Capital Improvements		5,100

<i>Unrestricted</i>		422,100
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Total Net Position	\$	527,330
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**Fraser Public Library
Statement of Activities
For the Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Recreation and Culture	\$ 718,968	\$ 7,136	\$ 141,404	\$ --	\$ (570,428)
Total	\$ 718,968	\$ 7,136	\$ 141,404	\$ --	(570,428)
General Purpose Revenues:					
					500,533
					14,933
					9,640
					9,635
					<u>534,741</u>
					(35,687)
					563,017
					<u>\$ 527,330</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Fraser Public Library
Balance Sheet
Governmental Funds
June 30, 2023**

	General
ASSETS	
Cash and Cash Equivalents	\$ 430,962
Accounts Receivable	23,659
Prepaid Items	5,395
<i>Total Assets</i>	\$ 460,016
LIABILITIES	
Accounts Payable	\$ 16,653
Accrued Payroll and Related Liabilities	3,822
<i>Total Liabilities</i>	20,475
FUND BALANCE	
Nonspendable	5,395
Restricted	5,800
Unassigned	428,346
<i>Total Fund Balance</i>	439,541
<i>Total Liabilities and Fund Balance</i>	\$ 460,016

The Notes to the Financial Statements are an integral part of these Financial Statements

Fraser Public Library
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023

Total Fund Balance - Governmental Funds	\$	439,541
General government capital assets of \$208,829, net of accumulated depreciation of \$109,399, are not financial resources and, accordingly, are not reported in the funds.		99,430
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(11,641)
Total Net Position - Governmental Activities	\$	<u>527,330</u>

Fraser Public Library
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2023

	General
Revenues	
Property Taxes	\$ 500,533
Intergovernmental Revenue	154,007
Penal Fines	9,640
Fines, Rentals, and Other	1,212
Donations	2,330
Interest	9,635
Miscellaneous	5,924
<i>Total Revenues</i>	683,281
Expenditures	
Salaries and Wages	387,133
Payroll Taxes	29,841
Retirement	8,364
Other Benefits	29,360
Books and Materials	16,392
Supplies	8,291
Professional and Contractual Services	119,493
Communications	4,080
Programming	5,460
Memberships	8,672
Utilities	21,631
Repair and Maintenance	23,910
Insurance	6,649
Rentals	6,841
Other Expenditures	3,101
Building and Equipment	14,246
<i>Total Expenditures</i>	693,464
<i>Excess of Revenues Over</i>	
<i>(Under) Expenditures</i>	(10,183)
<i>Net Change in Fund Balance</i>	(10,183)
<i>Fund Balance at Beginning of Period</i>	449,724
<i>Fund Balance at End of Period</i>	\$ 439,541

The Notes to the Financial Statements are an integral part of these Financial Statements

Fraser Public Library
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2023

Total Net Change in Fund Balances - Governmental Funds	\$	(10,183)
Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$26,964 plus loss on disposal of \$15,165 exceeds capital outlay expenditures of \$16,392.		(25,737)
Changes to compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.		233
Changes in Net Position - Governmental Activities	\$	<u>(35,687)</u>

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Notes to the Financial Statements

Fraser Public Library

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Fraser Public Library (the “Library”) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the Library’s significant accounting policies.

Reporting Entity

The Library was established in 1964 as a public library pursuant Public Act 164 of 1877, sec. 10a. The Library is governed by a six member Library Board. The Library is administered by a director appointed by the Board. The Library is primarily funded through a tax levy on property within the Library district, fines, fees, and state aid.

The financial statements of the Library have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles. The Library’s more significant accounting policies are described below.

Government-wide and Fund Financial Statements

The government-wide financial statements (e.g., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: 1) charges to Library patrons who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not included among program revenues, and are reported instead as general revenue.

The statement of net position includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library’s net position is reported in three parts: 1) investment in capital assets 2) restricted net position, and 3) unrestricted net position.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fraser Public Library

Notes to the Financial Statements

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

Intergovernmental revenue, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

The Library reports the following major governmental fund:

The *general fund* is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

Financial Statement Amounts

Property Tax

Property taxes attach as an enforceable lien on property as of July 1st each year. Library taxes, levied and immediately due July 1st, are collected without penalty through September 14th, and with penalty thereafter. Library property tax revenues are recognized as revenues in the fiscal year levied to the extent that they are budgeted and available for the financing of operations.

The 2022 state taxable value for real/personal property of the Library totaled approximately \$517,081,666. The ad valorem taxes levied consisted of .9594 mills for Library operations.

Cash

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments, if any, with original maturities of three months or less from date of acquisition.

Due from Other Governments

The Library's due from other governments represents state aid receivable from the State of Michigan and penal fines receivable from Macomb County.

Fraser Public Library

Notes to the Financial Statements

The Library has no uncollectable accounts receivable balances as of June 30, 2023.

Capital Assets

Capital assets are defined by the Library as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are valued at the estimated acquisition cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Description	Years
Library Collection	7
Furniture and Fixtures	10
Machinery and Equipment	5
Buildings and Improvements	10

Compensated Absences

The Library's employees are granted vacation and sick leave in varying amounts based upon length of service and position. Unused sick pay leave may accumulate and be carried over to a subsequent fiscal year, subject to restrictions. Vacation and sick pay accrued at year-end which is subject to payment upon termination has been included as a liability on the statement of net position and not on the balance sheet as the balance is not expected to be liquidated with expendable available financial resources.

Net Position Flow Assumption

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

Fund Balance Flow Assumption

Sometimes the Library will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library's policy to consider restricted

Fraser Public Library

Notes to the Financial Statements

fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

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

Unassigned fund balance is the residual classification for the Library's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Library Board of Trustees.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fraser Public Library

Notes to the Financial Statements

Subsequent Events

Management has evaluated subsequent events through December 15, 2023, the date on which these financial statements were available to be issued. None noted.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The appropriated budget is prepared by individual revenue and expenditure line item. The legal level of budgetary control is the individual line item. The Board of Trustees made supplemental budgetary appropriations throughout the year.

All annual appropriations lapse at the end of the fiscal year.

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The Library had the following expenditures in excess of the amount appropriated during the year:

<u>General Fund</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Salaries and Wages	\$ 378,000	\$ 387,130	\$ (9,130)
Payroll Taxes	29,000	29,841	(841)
Other Benefits	29,268	29,360	(92)
Supplies	8,000	8,291	(291)
Professional and Contractual Services	118,000	119,493	(1,493)
Programming	5,000	5,460	(460)
Memberships	5,800	8,672	(2,872)
Repair and Maintenance	22,900	23,910	(1,010)
Rentals	6,500	6,841	(341)
Other Expenditures	3,099	3,101	(2)

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Library to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the

Fraser Public Library

Notes to the Financial Statements

State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Library Board has designated two financial institutions for the deposit of Library funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

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

Deposits and investment holdings consisted of the following as of June 30, 2023:

Statement of Net Position

Checking and Savings Accounts	\$ 121,332
Pooled Investments	309,630
<i>Total Cash and Cash Equivalents</i>	<u>\$ 430,962</u>

Custodial credit risk – deposits

In the case of deposits, which is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library will minimize its custodial credit risk by diversifying its investments by institution. As of year-end, none of the Library's \$123,418 of bank deposits were exposed to custodial credit risk because deposits were uninsured and / or uncollateralized.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2023, the Library had one investment that would be subject to rating by a NRSRO: Michigan CLASS account with an S&P rating of AAAM. The Library has no investment policy that would further limit its investment choices.

Interest Rate Risk

The Library will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio. The Library does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The pooled investments held by the Library have no stated maturity and are considered liquid assets.

Fraser Public Library

Notes to the Financial Statements

Fair Value Measurement

The Library categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs.

The Library holds shares in the Michigan CLASS government investment pool whereby the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

At year-end, the net asset value of the Library's investment in the Michigan CLASS government investment pool was \$309,630. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS government investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and other public agencies.

Note 4 - Capital Assets

A summary of the changes in capital assets is as follows:

	June 30, 2022	Additions	Reductions	June 30, 2023
Capital Assets being Depreciated				
Library Collection	\$ 169,433	\$ 16,392	\$ 35,957	\$ 149,868
Building and Improvements	23,944	-	23,944	-
Furniture and Fixtures	49,442	-	-	49,442
Machinery and Equipment	9,519	-	-	9,519
Total Capital Assets being Depreciated	<u>252,338</u>	<u>16,392</u>	<u>59,901</u>	<u>208,829</u>
Less Accumulated Depreciation				
Library Collection	98,703	19,068	35,957	81,814
Building and Improvements	6,385	2,394	8,779	-
Furniture and Fixtures	13,679	4,944	-	18,623
Machinery and Equipment	8,404	558	-	8,962
Total Accumulated Depreciation	<u>127,171</u>	<u>26,964</u>	<u>44,736</u>	<u>109,399</u>
<i>Capital Assets, Net</i>	<u>\$ 125,167</u>	<u>\$ (10,572)</u>	<u>\$ 15,165</u>	<u>\$ 99,430</u>

Fraser Public Library

Notes to the Financial Statements

The entire balance of depreciation expense (\$26,964) for the year ended June 30, 2023 was applied to the recreation and culture function.

Note 5 – Compensated Absences

The following schedule summarizes the change in the Library's compensated absences during the year:

	6/30/2022		6/30/2023	
	Balance	Reductions	Balance	Due Within One Year
Compensated Absences	<u>\$ 11,874</u>	<u>\$ 233</u>	<u>\$ 11,641</u>	<u>\$ 11,641</u>

Compensated absences are liquidated by the general fund.

Note 6 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Library carries commercial insurance. Liabilities in excess of insurance are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There have been no losses in excess of insurance in the prior three years.

Note 7 – Pension Plan

The Library provides benefits to all of its employees through a deferred contribution and IRA plan with ICMA-RC. In a deferred contribution and IRA plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate immediately upon employment. The Library will match employee contributions up to 8% of employee earnings. For the year ended June 30, 2023, the Library contributed \$8,864.

DRAFT

Required Supplementary Information

Fraser Public Library
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
				Final to Actual
Revenues				
Property Taxes	\$ 481,032	\$ 483,495	\$ 500,530	\$ 17,035
Intergovernmental Revenue	129,340	153,902	154,007	105
Penal Fines	13,500	13,500	9,640	(3,860)
Fines, Rentals, and Other	3,000	1,793	1,212	(581)
Donations	--	1,322	2,330	1,008
Interest	100	10,000	9,635	(365)
Miscellaneous	5,000	3,545	5,924	2,379
Total Revenues	631,972	667,557	683,278	15,721
Expenditures				
Salaries and Wages	352,000	378,000	387,130	(9,130)
Payroll Taxes	27,500	29,000	29,841	(841)
Retirement	10,000	9,000	8,364	636
Other Benefits	30,950	29,268	29,360	(92)
Books and Materials	20,900	17,000	16,392	608
Supplies	8,000	8,000	8,291	(291)
Professional and Contractual Services	101,000	118,000	119,493	(1,493)
Communications	4,500	4,100	4,080	20
Programming	6,000	5,000	5,460	(460)
Memberships	7,000	5,800	8,672	(2,872)
Utilities	19,700	23,100	21,631	1,469
Repair and Maintenance	27,000	22,900	23,910	(1,010)
Insurance	7,000	6,650	6,649	1
Rentals	5,500	6,500	6,841	(341)
Other Expenditures	2,900	3,099	3,101	(2)
Building and Equipment	2,000	14,300	14,246	54
Total Expenditures	631,950	679,717	693,461	(13,744)
Excess (Deficiency) of Revenues				
Over Expenditures	22	(12,160)	(10,183)	1,977
Net Change in Fund Balance	22	(12,160)	(10,183)	1,977
<i>Fund Balance at Beginning of Period</i>	449,724	449,724	449,724	--
Fund Balance at End of Period	\$ 449,746	\$ 437,564	\$ 439,541	\$ 1,977

December 15, 2023

To the Library Board
Fraser Public Library

We have audited the financial statements of the governmental activities and the major fund of the Fraser Public Library (the "Library") for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 7, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Library are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing polices was not changed during the fiscal year ended June 30, 2023. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Library's financial statements was:

- Management's estimate of the current year capital asset depreciation expense is based on the estimated useful lives of the Library's capital assets.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 15, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to management's discussion and analysis and the budgetary comparison schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we

obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restrictions on Use

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

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, MI