



MUSKEGON COUNTY, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020



Vredeveld Haefner LLC
CPAs and Consultants

WHITE LAKE COMMUNITY LIBRARY

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INDEPENDENT AUDITORS' REPORT

February 17, 2021

Members of the Library Board
White Lake Community Library
Muskegon County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of White Lake Community Library, Muskegon County, Michigan, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of White Lake Community Library, as of December 31, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and budgetary comparison information on page 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

About the Library

White Lake Community Library (the "Library") serves the City of Whitehall and all or portions of the Townships of Blue Lake, Dalton, Fruitland and Whitehall in Muskegon County, Michigan. The Library was established as a District Library under the District Library Establishment Act in 1997. The Library is governed by an eight member board with members appointed by participating entities.

Financial Highlights

- During the year, the library received \$598,170 in revenues and incurred \$490,435 in expenses, resulting in an increase in net position of \$107,735.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$119,687 or 27% of the general fund's total annual expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains an internal control and compliance report issued in connection with an audit conducted following *Government Auditing Standards* in addition to the basic financial statements themselves.

Government-wide financial statements

The *Government-wide financial statements* are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the Library that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The Library currently has no business-type activities.

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. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Library only utilizes governmental funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a Library’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Library’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances, provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Library maintains two individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General and Debt Service Funds which are both considered major funds.

The Library adopts an annual appropriations budget for its general fund as required by state law. A budgetary comparison statement has been provided as required supplementary information for the General Fund to demonstrate legal compliance.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. This includes this discussion and analysis as well as a budgetary comparison schedule for the General Fund to demonstrate compliance with the budget.

Government-wide Financial Analysis

The following table presents condensed information about the Library’s financial position for the past two fiscal years. Total net position includes the investment in capital assets. Capital assets represent the capital assets held by the Library, net of related accumulated depreciation.

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 654,476	\$ 592,963
Capital assets	1,278,170	1,328,221
Total assets	1,932,646	1,921,184
Current and other liabilities	14,501	13,884
Long-term liabilities	2,541	121,730
Total liabilities	17,042	135,614
Deferred inflows	459,615	437,316
Net position		
Investment in capital assets	1,278,170	1,208,221
Restricted	-	18,781
Unrestricted	177,819	121,252
Total net position	\$1,455,989	\$1,348,254

Income and Expenses

The Library has maintained a stable financial position during the year ended December 31, 2020. Net position increased \$107,735 during the year. Revenues exceeded expenses due to planned net position increases to fund future capital needs. A summary of revenues and expenses for the past two (2) fiscal years is presented below.

	<u>2020</u>	<u>2019</u>
Program revenues		
Charges for services	\$ 4,345	\$ 18,812
Grants and contributions	112,730	16,113
General revenues		
Property taxes	443,452	438,721
Penal fines	20,871	23,333
Other general revenues	16,772	17,546
Total revenues	<u>598,170</u>	<u>514,525</u>
Functions/program expenses		
Library	488,875	454,835
Interest on long-term debt	1,560	6,200
Total expenses	<u>490,435</u>	<u>461,035</u>
Change in net position	107,735	53,490
Net position, beginning of year	1,348,254	1,294,764
Net position, end of year	<u>\$1,455,989</u>	<u>\$1,348,254</u>

General Fund Budgetary Highlights

The pandemic had a significant impact on the library's budget, creating new expenses and sharply reducing certain revenues. Among the larger expenses were the plexiglass partitions installed at work stations and public service points. Funds were also redirected to increase access to our digital collections while the library was closed. Meeting room rentals and other patron service fines and fees dropped nearly to zero for the year, as did book sale revenues. Despite all that, the library ended the year with higher retained earnings than anticipated, due in part to reduced expenses in areas such as utilities, payroll, and programming. An unexpected result of the pandemic was an increase in donations to the library, which also helped us end the year solidly in the black.

Capital Asset and Long-Term Debt Activities

During the year, capital asset activities consisted primarily of purchasing new books and air purification equipment. Long-term debt activity consisted of the final principal payment made of \$120,000 on the refunding bonds, which are now retired. Additional information on capital assets and long-term debt can be found in notes 3 and 4, respectively.

Economic Factors and Next Year's Budget

- Thanks to the voters and a successful millage campaign, the library will now be collecting an additional 0.25 mill property tax to fund library operations. This additional revenue will be used primarily for building upkeep and technology improvements, with the first projects being an overhaul of the HVAC system and replacement of the outdated phone system.
- The State of Michigan approved a 10% increase in state aid to libraries in the 2021 budget.
- We are cautiously optimistic about penal fine revenues in 2021, though we will continue to work toward decreasing our reliance on them.

Contacting the Library Management

This management discussion and analysis provides an overview of the current and prospective financial condition of the Library's operations and financial position. If there are questions concerning this report or if additional information is desired, please contact White Lake Community Library, 3900 White Lake Drive, Whitehall, MI 49461.

BASIC FINANCIAL STATEMENTS

WHITE LAKE COMMUNITY LIBRARY

STATEMENT OF NET POSITION

DECEMBER 31, 2020

	<u>Primary Government Governmental Activities</u>
Assets	
Cash and certificates of deposit	\$ 225,061
Accounts receivable	1,738
Due from other governments	423,342
Prepaid items	4,335
Capital assets, net	
Land	24,480
Buildings and equipment	<u>1,253,690</u>
Total assets	<u>1,932,646</u>
Liabilities	
Accounts payable and accrued expenses	14,501
Noncurrent liabilities	
Compensated absences	<u>2,541</u>
Total liabilities	<u>17,042</u>
Deferred inflows of resources	
Taxes levied for subsequent period	<u>459,615</u>
Net Position	
Investment in capital assets	1,278,170
Unrestricted	<u>177,819</u>
Total net position	<u><u>\$ 1,455,989</u></u>

The accompanying notes are an integral part of these financial statements.

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WHITE LAKE COMMUNITY LIBRARY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
Library	\$ 488,875	\$ 4,345	\$ 108,652	\$ 4,078	\$ (371,800)
Interest on long-term debt	1,560	-	-	-	(1,560)
Total primary government	\$ 490,435	\$ 4,345	\$ 108,652	\$ 4,078	(373,360)
General revenues					
Property taxes					
General operating					340,423
Debt service					103,029
County penal fines					20,871
State revenues					9,456
Other					6,334
Interest earnings					982
Total general revenues					481,095
Change in net position					107,735
Net position, beginning of year					1,348,254
Net position, end of year					\$ 1,455,989

The accompanying notes are an integral part of these financial statements.

WHITE LAKE COMMUNITY LIBRARY

GOVERNMENTAL FUNDS BALANCE SHEET

DECEMBER 31, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Assets			
Cash and certificates of deposit	\$ 225,061	\$ -	\$ 225,061
Accounts receivable	1,738	-	1,738
Due from other governments	423,342	-	423,342
Prepaid items	<u>4,335</u>	<u>-</u>	<u>4,335</u>
Total assets	<u>\$ 654,476</u>	<u>\$ -</u>	<u>\$ 654,476</u>
 Liabilities, deferred inflows of resources and fund balance			
Liabilities			
Accounts payable and accrued liabilities	<u>\$ 14,501</u>	<u>\$ -</u>	<u>\$ 14,501</u>
 Deferred inflows of resources			
Taxes levied for subsequent period	<u>459,615</u>	<u>-</u>	<u>459,615</u>
 Fund balances			
Nonspendable			
Prepaid items	4,335	-	4,335
Assigned			
Computer hardware replacement	21,000	-	21,000
Building repair and maintenance	19,052	-	19,052
Designated projects	16,286	-	16,286
Unassigned	<u>119,687</u>	<u>-</u>	<u>119,687</u>
Total fund balances	<u>180,360</u>	<u>-</u>	<u>180,360</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 654,476</u>	<u>\$ -</u>	<u>\$ 654,476</u>

The accompanying notes are an integral part of these financial statements.

WHITE LAKE COMMUNITY LIBRARY

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

DECEMBER 31, 2020

Fund balances - total governmental funds	\$ 180,360
Amounts reported for <i>governmental activities</i> in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets (net)	1,278,170
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences	<u>(2,541)</u>
Net position of governmental activities	<u>\$ 1,455,989</u>

The accompanying notes are an integral part of these financial statements.

WHITE LAKE COMMUNITY LIBRARY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Revenues			
Taxes	\$ 340,423	\$ 103,029	\$ 443,452
Intergovernmental			
State revenues	9,456	-	9,456
County penal fees	20,871	-	20,871
Fees and charges	7,752	-	7,752
Interest	982	-	982
Donations and miscellaneous	115,657	-	115,657
	<u>495,141</u>	<u>103,029</u>	<u>598,170</u>
Total revenues			
Expenditures			
Current			
Library			
Personnel	240,508	-	240,508
Contractual	88,198	250	88,448
Supplies and other	58,549	-	58,549
Utilities	25,731	-	25,731
Capital outlay	24,777	-	24,777
Debt service			
Principal	-	120,000	120,000
Interest	-	2,340	2,340
	<u>437,763</u>	<u>122,590</u>	<u>560,353</u>
Total expenditures			
Revenues over (under) expenditures	<u>57,378</u>	<u>(19,561)</u>	<u>37,817</u>
Net changes in fund balances	57,378	(19,561)	37,817
Fund balances, beginning of year	<u>122,982</u>	<u>19,561</u>	<u>142,543</u>
Fund balances, end of year	<u>\$ 180,360</u>	<u>\$ -</u>	<u>\$ 180,360</u>

The accompanying notes are an integral part of these financial statements.

WHITE LAKE COMMUNITY LIBRARY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020

Net changes in fund balances - total governmental funds	\$ 37,817
Amounts reported for <i>governmental activities</i> in the statement of activities are different because	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Add - capital outlay	26,277
Deduct - depreciation expense	(76,328)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Add - payment of bond principal	120,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Add - decrease in accrued interest	780
Deduct - increase in compensated absences	<u>(811)</u>
Change in net position of governmental activities	<u>\$ 107,735</u>

The accompanying notes are an integral part of these financial statements.

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WHITE LAKE COMMUNITY LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of White Lake Community Library (the "Library") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of White Lake Community Library. There are no component units to be included. The criteria for including a component unit include significant operational or financial relationships with the Library.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues are reported in total. The Library has no business-type or fiduciary activities.

The statement of activities demonstrates the degree to which the direct expenses 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 revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Measurement Focus and Basis of Accounting

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. Property taxes are recognized as revenues in the year for which they are levied. County penal fines are recognized when received. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

WHITE LAKE COMMUNITY LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period except grant revenues which are recognized when grant requirements are met, County penal fines and other revenues are recognized when received, and interest revenue which is recorded when earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Property taxes, state revenue, licenses, 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.

All individual governmental funds are reported as separate columns in the fund financial statements.

The Library reports the following major governmental funds

The *General Fund* is the general operating fund of the Library. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the collections of a debt millage and payment of principal, interest, and other related expenditures to retire the outstanding 2008 refunding bonds.

Budgets and Budgetary Accounting

Comparisons to budget are presented for the general fund. The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to December 1, the Library Director submits to the Library Board a proposed operating budget for the fiscal year commencing the following January 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to January 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the general funds.
5. The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Adoption and amendments of all budgets used by the Library are governed by Michigan Law. The appropriations ordinances are based on the projected expenditures budget of the various objects of the Library. Any amendment to the original budget must meet the requirements of Michigan Law. The Library did amend its budget for the current year. Any revisions that alter the expenditures at the object level within the general fund must be approved by the Library Board.

WHITE LAKE COMMUNITY LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Deposits and Investments

State statutes authorize the Library to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.

The Library's investment policy is more restrictive than state requirements. The Library's investment policy authorizes the same types of investments as those authorized by state requirements, however, investments in commercial paper must be rated at the time of purchase within the two highest classifications by not less than two standard rating services. The Library's investment policy also states that not more than 50% of any fund may be invested in commercial paper at any time.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value (the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction) on the date received.

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

WHITE LAKE COMMUNITY LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	10-50
Land improvements	20
Furniture and equipment	3-5
Collections	7

Property Taxes

Property taxes are levied by the Library and become an enforceable lien on December 1 and are payable by February 15. Taxes are collected by participating governmental units. Real property taxes not collected as of March 1 are turned over to the County for collection, which advances the Library 100% of the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the participating units. Property tax revenues are recognized as revenue in the year for which they are levied.

Grants and Other Intergovernmental Revenues

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers. Due to other funds and due from other funds at year end represent short term borrowing between the funds.

Net Position and Fund Balance Reporting

Governmental funds report fund balance in the following five categories:

1. Non-spendable – the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted – the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed – the related assets can only be spent for a specific purpose identified by formal resolution of the governing board.
4. Assigned – the related assets can only be spent for a specific purpose identified by management as authorized by the governing board.
5. Unassigned – is the residual classification and includes all spendable amounts not contained in the other classifications.

Fund Balance can only be committed by formal resolution of the Library Board.

WHITE LAKE COMMUNITY LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Restricted net position represents those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

Net Position and Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to use restricted resources first, then unrestricted resource as they are needed. 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.

Long-Term Obligations

In the government-wide financial statements the long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Library has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Library has only one type of item that qualifies for reporting in this category. The governmental funds and governmental activities report unearned revenues from property taxes levied for the following year. These amounts are deferred and recognized as an inflow of resources in the period for which they are levied.

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; injuries to employees; and natural disasters. During the year ended December 31, 2020, the Library carried commercial insurance to cover risks of losses. The Library has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

WHITE LAKE COMMUNITY LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

2. CASH AND CERTIFICATES OF DEPOSIT

The balance of cash and certificates of deposit on the financial statements is \$225,061.

This balance is in financial institutions located in Michigan. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the Library and a specific fund or common account. They are recorded in Library records at fair value.

Deposit risk

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned. As of year-end, none of the Library's bank balance of \$231,937 was exposed to custodial credit risk due to being uninsured and uncollateralized.

3. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance December 31, 2019	Additions	Deletions	Balance December 31, 2020
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 24,480	\$ -	\$ -	\$ 24,480
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	24,480	-	-	24,480
Capital assets, being depreciated				
Building and improvements	1,888,511	-	-	1,888,511
Land improvements	36,051	-	-	36,051
Books, periodicals, and videos	546,841	21,538	39,300	529,079
Equipment and furniture	208,076	4,739	-	212,815
Total capital assets, being depreciated	2,679,479	26,277	39,300	2,666,456
Less accumulated depreciation for				
Building and improvements	714,075	39,154	-	753,229
Land improvements	32,894	1,802	-	34,696
Books, periodicals, and videos	441,235	29,773	39,300	431,708
Equipment and furniture	187,534	5,599	-	193,133
Total accumulated depreciation	1,375,738	76,328	39,300	1,412,766
Net capital assets, being depreciated	1,303,741	(50,051)	-	1,253,690
Governmental activities capital assets, net	\$1,328,221	\$(50,051)	\$ -	\$1,278,170

Depreciation expense of \$76,328 was charged to the Library function on the statement of activities.

WHITE LAKE COMMUNITY LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

4. LONG-TERM DEBT

The following is a summary of the debt transactions of the Library for the year ended December 31, 2020.

	<u>Balance December 31, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2020</u>	<u>Due Within One Year</u>
Governmental Activities					
2008 General Obligation Refunding Bonds. Payments due in annual installments of \$105,000 to \$120,000 through May 1, 2020; interest ranging from 3.25% to 3.90%.	\$120,000	\$ -	\$120,000	\$ -	\$ -
Compensated absences	1,730	811	-	2,541	-
	<u>\$121,730</u>	<u>\$ 811</u>	<u>\$120,000</u>	<u>\$2,541</u>	<u>\$ -</u>

5. OPERATING LEASE

The Library leases a copier under an operating lease requiring monthly payments of \$288 which expires in October 2024. Total rental expense under lease amounted to approximately \$3,454 for the year ended December 31, 2020.

The following is a schedule of annual future minimum lease payments required under the lease as of December 31, 2020:

<u>Year</u>	<u>Amount</u>
2021	\$3,454
2022	3,454
2023	3,454
2024	2,879

6. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

PA. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Library's actual and budgeted expenditures for the budgetary fund have been shown at the object level, the same level at which the budget of the Library was adopted.

During the year ended December 31, 2020, the Library did not incur expenditures in its budgetary fund in excess of the amounts appropriated.

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REQUIRED SUPPLEMENTARY INFORMATION

WHITE LAKE COMMUNITY LIBRARY

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 340,126	\$ 340,423	\$ 340,423	\$ -
Intergovernmental				
State revenues	9,400	9,456	9,456	-
County penal fees	23,000	20,871	20,871	-
Fees and charges	19,400	5,712	7,752	2,040
Interest	1,680	910	982	72
Donations and miscellaneous	10,950	117,089	115,657	(1,432)
Total revenues	404,556	494,461	495,141	680
Expenditures				
Current				
Library				
Personnel	258,332	245,452	240,508	4,944
Contractual	43,523	94,278	88,198	6,080
Supplies and other	50,795	69,303	58,549	10,754
Utilities	29,966	26,696	25,731	965
Capital outlay	28,626	26,547	24,777	1,770
Total expenditures	411,242	462,276	437,763	24,513
Net changes in fund balance	(6,686)	32,185	57,378	25,193
Fund balance, beginning of year	122,982	122,982	122,982	-
Fund balance, end of year	\$ 116,296	\$ 155,167	\$ 180,360	\$ 25,193