



MUSKEGON COUNTY, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021



Vredeveld Haefner LLC
CPAs and Consultants

WHITE LAKE COMMUNITY LIBRARY

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INDEPENDENT AUDITORS' REPORT

March 7, 2022

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

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of White Lake Community Library, Whitehall Michigan (the Library), as of and for the year ended December 31, 2021, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Library, as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 one year after the date the financial statements are available to be issued.

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 GAAS 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with Generally Accepted Auditing Standards, we

- exercise professional judgement 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 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 judgement, 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 in 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 on pages 3 through 6 and the budgetary comparison information on page 23 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 and 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 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 and 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 \$573,370 in revenues and incurred \$473,844 in expenses, resulting in an increase in net position of \$99,526.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$128,177 or 28.7% of the general fund's total annual expenditures, and 22.8% of expenditures and transfers to other funds.
- A new fund was created to set money aside for capital projects.

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 Capital 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>2021</u>	<u>2020</u>
Current and other assets	\$ 713,582	\$ 654,476
Capital assets	1,333,516	1,278,170
Total assets	<u>2,047,098</u>	<u>1,932,646</u>
Current and other liabilities	14,949	14,501
Long-term liabilities	3,577	2,541
Total liabilities	<u>18,526</u>	<u>17,042</u>
Deferred inflows	<u>473,057</u>	<u>459,615</u>
Net position		
Investment in capital assets	1,333,516	1,278,170
Unrestricted	221,999	177,819
Total net position	<u>\$1,555,515</u>	<u>\$1,455,989</u>

Income and Expenses

The Library has maintained a stable financial position during the year ended December 31, 2021. Net position increased \$99,526 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>2021</u>	<u>2020</u>
Program revenues		
Charges for services	\$ 7,892	\$ 4,345
Grants and contributions	31,713	112,730
General revenues		
Property taxes	494,911	443,452
Penal fines	22,492	20,871
Other general revenues	16,362	16,772
Total revenues	<u>573,370</u>	<u>598,170</u>
Functions/program expenses		
Library	473,844	488,875
Interest on long-term debt	-	1,560
Total expenses	<u>473,844</u>	<u>490,435</u>
Change in net position	99,526	107,735
Net position, beginning of year	<u>1,455,989</u>	<u>1,348,254</u>
Net position, end of year	<u>\$1,555,515</u>	<u>\$1,455,989</u>

General Fund Budgetary Highlights

The 2021 budget as approved included a \$5,000 increase in the fund balance. By year's end the fund balance actually grew by more than \$45,000. This can be attributed primarily to greater-than-anticipated revenues (including property taxes, PPT reimbursement, gifts and penal fines) as well as some smaller decreases in expenses (including staff wages and travel expenses).

The additional revenue made it possible to add to our digital services with things such as the Wowbrary digital new-book newsletter and increased hoopla limits, while also eliminating patron service charges such as overdue fines and copy and print fees.

Capital Asset and Long-Term Liability Activities

During the year, capital asset activities consisted primarily of purchasing new books and HVAC system. Long-term liability activity consisted of changes in compensated absences. 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

Due in part to the challenge of recruiting and retaining staff during the pandemic, the wage scale in the 2022 budget was updated and, for the first time, tied directly to staff training and certification levels. This, combined with some staff turnover costs, is expected to result in a 15% increase in personnel costs for the coming year. The increase will be partially offset by a MiHOPE grant the library was awarded to mitigate pandemic-related staffing challenges.

Rising property values are a positive sign for our revenue, but our newly-passed millage has already been reduced due to the Headlee Amendment. We continue to closely monitor changes to state aid, penal fines, and PPT reimbursements.

A large ARPA Equipment Grant was awarded in 2021, but the \$72,949 will be received in 2022 as reimbursement for expenses incurred. This will be reflected in the "Other Revenue/Expenditure" portion of the budget.

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, 2021

	<u>Primary Government Governmental Activities</u>
Assets	
Cash and certificates of deposit	\$ 269,723
Accounts receivable	1,630
Due from other governments	436,912
Prepaid items	5,317
Capital assets, net	
Land	24,480
Buildings and equipment	<u>1,309,036</u>
Total assets	<u>2,047,098</u>
Liabilities	
Accounts payable and accrued expenses	14,949
Noncurrent liabilities	
Compensated absences	<u>3,577</u>
Total liabilities	<u>18,526</u>
Deferred inflows of resources	
Taxes levied for subsequent period	<u>473,057</u>
Net Position	
Investment in capital assets	1,333,516
Unrestricted	<u>221,999</u>
Total net position	<u><u>\$ 1,555,515</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, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
Library	\$ 473,844	\$ 7,892	\$ 24,503	\$ 7,210	\$ (434,239)
Total primary government	<u>\$ 473,844</u>	<u>\$ 7,892</u>	<u>\$ 24,503</u>	<u>\$ 7,210</u>	<u>(434,239)</u>
General revenues					
Property taxes					
General operating					494,911
County penal fines					22,492
State revenues					10,244
Other					4,722
Interest earnings					<u>1,396</u>
Total general revenues					<u>533,765</u>
Change in net position					99,526
Net position, beginning of year					<u>1,455,989</u>
Net position, end of year					<u>\$ 1,555,515</u>

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

WHITE LAKE COMMUNITY LIBRARY

GOVERNMENTAL FUNDS BALANCE SHEET

DECEMBER 31, 2021

	<u>General</u>	<u>Capital</u>	<u>Total</u>
Assets			
Cash and certificates of deposit	\$ 269,723	\$ -	\$ 269,723
Accounts receivable	1,630	-	1,630
Due from other funds	-	35,377	35,377
Due from other governments	436,912	-	436,912
Prepaid items	<u>5,317</u>	<u>-</u>	<u>5,317</u>
Total assets	<u>\$ 713,582</u>	<u>\$ 35,377</u>	<u>\$ 748,959</u>
Liabilities, deferred inflows of resources and fund balance			
Liabilities			
Accounts payable and accrued liabilities	\$ 14,949	\$ -	\$ 14,949
Due to other funds	<u>35,377</u>	<u>-</u>	<u>35,377</u>
Total liabilities	<u>50,326</u>	<u>-</u>	<u>50,326</u>
Deferred inflows of resources			
Taxes levied for subsequent period	<u>473,057</u>	<u>-</u>	<u>473,057</u>
Fund balances			
Nonspendable			
Prepaid items	5,317	-	5,317
Assigned			
Capital projects	-	35,377	35,377
Designated projects	56,705	-	56,705
Unassigned	<u>128,177</u>	<u>-</u>	<u>128,177</u>
Total fund balances	<u>190,199</u>	<u>35,377</u>	<u>225,576</u>
 Total liabilities, deferred inflows and fund balance	 <u>\$ 713,582</u>	 <u>\$ 35,377</u>	 <u>\$ 748,959</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, 2021

Fund balances - total governmental funds	\$ 225,576
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)	1,333,516
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>(3,577)</u>
Net position of governmental activities	<u>\$ 1,555,515</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, 2021

	<u>General</u>	<u>Capital</u>	<u>Total</u>
Revenues			
Taxes	\$ 494,911	\$ -	\$ 494,911
Intergovernmental			
State revenues	13,244	-	13,244
County penal fees	22,492	-	22,492
Fees and charges	9,191	-	9,191
Interest	1,396	-	1,396
Donations and miscellaneous	32,136	-	32,136
Total revenues	<u>573,370</u>	<u>-</u>	<u>573,370</u>
Expenditures			
Current			
Library			
Personnel	254,605	-	254,605
Contractual	38,382	-	38,382
Supplies and other	54,178	-	54,178
Utilities	29,657	-	29,657
Capital outlay	70,509	80,823	151,332
Total expenditures	<u>447,331</u>	<u>80,823</u>	<u>528,154</u>
Revenues over (under) expenditures	<u>126,039</u>	<u>(80,823)</u>	<u>45,216</u>
Other financing sources (uses)			
Transfers in	-	116,200	116,200
Transfers out	(116,200)	-	(116,200)
Total other financing sources (uses)	<u>(116,200)</u>	<u>116,200</u>	<u>-</u>
Net changes in fund balances	9,839	35,377	45,216
Fund balances, beginning of year	<u>180,360</u>	<u>-</u>	<u>180,360</u>
Fund balances, end of year	<u>\$ 190,199</u>	<u>\$ 35,377</u>	<u>\$ 225,576</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, 2021

Net changes in fund balances - total governmental funds	\$ 45,216
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Amounts reported for *governmental activities* 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	133,193
Deduct - depreciation expense	(77,847)

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.

Deduct - increase in compensated absences	<u>(1,036)</u>
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Change in net position of governmental activities	<u>\$ 99,526</u>
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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, 2021

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, 2021

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 *Capital Fund* is a capital project fund and is used to set aside amounts to be used on future capital items.

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, 2021

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 \$2,000 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, 2021

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, 2021

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/expense regardless of fund or activity.

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, 2021, 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, 2021

2. CASH AND CERTIFICATES OF DEPOSIT

The balance of cash and certificates of deposit on the financial statements is \$269,723.

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 \$274,239 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, 2020	Additions	Deletions	Balance December 31, 2021
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	103,931	-	1,992,442
Land improvements	36,051	-	-	36,051
Books, periodicals, and videos	529,079	24,814	45,797	508,096
Equipment and furniture	212,815	4,448	14,264	202,999
Total capital assets, being depreciated	2,666,456	133,193	60,061	2,739,588
Less accumulated depreciation for				
Building and improvements	753,229	44,607	-	797,836
Land improvements	34,696	1,129	-	35,825
Books, periodicals, and videos	431,708	26,774	45,797	412,685
Equipment and furniture	193,133	5,337	14,264	184,206
Total accumulated depreciation	1,412,766	77,847	60,061	1,430,552
Net capital assets, being depreciated	1,253,690	55,346	-	1,309,036
Governmental activities capital assets, net	\$1,278,170	\$55,346	\$ -	\$1,333,516

Depreciation expense of \$77,847 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, 2021

4. COMPENSATED ABSENCES

The following is a summary of the compensated absences transactions of the Library for the year ended December 31, 2021.

	Balance December 31, 2020	Additions	Deletions	Balance December 31, 2021	Due Within One Year
Compensated absences	\$2,541	\$ 1,036	\$ -	\$3,577	\$ -

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, 2021.

The following is a schedule of annual future minimum lease payments required under the lease as of December 31, 2021:

<u>Year</u>	<u>Amount</u>
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, 2021, 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, 2021

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 475,355	\$ 494,911	\$ 494,911	\$ -
Intergovernmental				
State revenues	10,157	10,244	13,244	3,000
County penal fees	18,000	22,492	22,492	-
Fees and charges	9,400	7,363	9,191	1,828
Interest	1,000	1,300	1,396	96
Donations and miscellaneous	9,125	27,903	32,136	4,233
Total revenues	<u>523,037</u>	<u>564,213</u>	<u>573,370</u>	<u>9,157</u>
Expenditures				
Current				
Library				
Personnel	266,819	256,690	254,605	2,085
Contractual	43,166	43,078	38,382	4,696
Supplies and other	48,381	56,334	54,178	2,156
Utilities	30,932	30,996	29,657	1,339
Capital outlay	28,626	72,316	70,509	1,807
Total expenditures	<u>417,924</u>	<u>459,414</u>	<u>447,331</u>	<u>12,083</u>
Revenues over (under) expenditures	105,113	104,799	126,039	21,240
Other financing sources (uses)				
Transfers out	(100,000)	(116,200)	(116,200)	-
Net changes in fund balance	5,113	(11,401)	9,839	21,240
Fund balance, beginning of year	<u>180,360</u>	<u>180,360</u>	<u>180,360</u>	<u>-</u>
Fund balance, end of year	<u>\$ 185,473</u>	<u>\$ 168,959</u>	<u>\$ 190,199</u>	<u>\$ 21,240</u>