

HAMBURG TOWNSHIP LIBRARY
Livingston County, Michigan

AUDITED FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2023

HAMBURG TOWNSHIP LIBRARY
For the Year Ended June 30, 2023

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Independent Auditor's Report

To the Board of Trustees
Hamburg Township Library

Opinions

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Hamburg Township Library, a component unit of Hamburg Township 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Hamburg Township Library, Michigan, as of June 30, 2023, and the respective changes in its financial position and, where applicable, cash flows thereof 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 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 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 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 judgment made by a reasonable user based on the financial statements.

Board of Trustees
Hamburg Township Library

In performing an audit in accordance with GAAS, 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.

Respectfully,



PSLZ PLLC
Certified Public Accountants

August 18, 2023

Hamburg Township Library

10411 Merrill Rd. Box 247
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Management's Discussion and Analysis

As management of the Hamburg Township Library, we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of Hamburg Township Library for the fiscal year ended June 30, 2023.

Financial Highlights

- The assets of the Hamburg Township Library exceeded its liabilities at the close of the most recent fiscal year by \$2,858,900 (*net position*). Of this amount, \$2,633,211, which represents cash in the bank, may be used to meet the Library's ongoing obligations to creditors and future Library development of services to the public. (See page 8 for details.)
- As of the close of the current fiscal year, the Hamburg Township Library's governmental fund reported ending fund balance of \$2,670,666, an increase of \$403,551 in comparison with the prior year.
- The Library's total net position increased by \$394,542 from the prior year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Hamburg Township Library's basic financial statements. The Hamburg Township Library's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The *statement of net position* presents information on all of the Hamburg Township 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 Hamburg Township 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 (e.g. uncollected taxes and vacation/sick leave earned but unused).

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 Hamburg Township Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 government'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 balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Hamburg Township Library adopts an annual appropriated budget for its general operating fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. This statement can be found on page 13 of this report.

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. The notes to the financial statements can be found on pages 14-21 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Hamburg Township Library, assets exceeded liabilities by \$2,858,900 at the close of the most recent fiscal year.

Hamburg Township Library's Net Position

	2023	2022
Current and other assets	\$ 2,720,998	\$ 2,296,589
Capital Assets	225,689	236,947
Total Assets	2,946,687	2,533,536
Long-term Liabilities	37,455	39,704
Other Liabilities	50,332	29,474
Total Liabilities	87,787	69,178
Net Position:		
Net Investment in capital assets	225,689	236,947
Unrestricted	2,633,211	2,227,411
Total Net Position	\$ 2,858,900	\$ 2,464,358

Governmental activities. The Hamburg Township Library's net position increased by \$394,542 in fiscal year 2023.

Hamburg Township Library's Changes in Net Position

	2023	2022
Revenues:		
Program Revenues:		
Services (Programs, book fines, copies, misc.)	\$ 16,849	\$ 11,418
Operating Grants and Contributions:		
State PPT Reimbursement	3,532	4,886
State Grants	2,571	7,257
Penal Fines	41,102	51,731
Public Donations	74,220	11,943
General Revenues:		
Property Tax Collection	1,113,775	893,526
State Aid to Libraries	21,558	20,894
Bank Interest	37,176	2,840
Total Revenues	1,310,783	1,004,495
Expenses - Library Services	916,241	886,164
Increase in Net Position	394,542	118,331
Net Position, July 1	2,464,358	2,346,027
Net Position, June 30	\$ 2,858,900	\$ 2,464,358

Financial Analysis of the Government's Funds

As noted earlier, the Hamburg Township Library used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Hamburg Township Library's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Hamburg Township Library's financing requirements.

As of the end of the current fiscal year, Hamburg Township Library's general operating fund, reported ending fund balance of \$2,670,666, an increase of \$403,551 in comparison with the prior year. Total fund balance of \$2,670,666 consists of \$13,623 of nonspendable fund balance (prepaid expenses), \$1,022,455 *assigned fund balances*, and \$1,634,588 of *unassigned fund balance*. The assigned fund balances represent funds that are assigned by Library Board of Trustee vote for furthering the Library's mission:

- Assigned funds of \$1,022,455 for future uses: building facility \$500,000, future programs and services \$485,000, and for the long term liability of ongoing vacation/sick time earned but not used \$37,455.
- The unassigned fund balance amount of \$1,634,588 represents fund balances that are not constrained in any way or assigned at this time and are available for future general expenditures.

General Fund Budgetary Highlights

The Library Board amended their original budget for fiscal year 2023 increasing budgeted revenues by \$1,000 and increasing budgeted expenditures by \$1,464 to reflect MI HOPE Grant revenues and expenditures. The fiscal year 2023 budget projected a net increase in fund balance of \$179,961. The actual change in fund balance was an increase of \$403,551, resulting in a favorable overall variance of budget to actual of \$223,590, as detailed on page 13 of this report.

Capital Assets

Hamburg Township Library's investment in capital assets as of June 30, 2023, amounts to \$225,689 (net of accumulated depreciation). This investment in capital assets includes capital additions of \$42,305 less depreciation of \$53,563 resulting in a total decrease in the Library's investment in capital assets for the current fiscal year of \$11,258. In accordance with GASB No. 34, the Library's financial statements reflect the capitalization of library collection materials. The collection consists of books, audio, DVD's, and CD's. The net value of \$13,323, which is net of accumulated depreciation, represents the historical cost value and not replacement value of the library's collections.

Hamburg Township Library's Capital Assets

	2023	2022
Buildings and Improvements	\$ 410,359	\$ 394,574
Computer Equipment	140,453	169,979
Library Collection Materials	949,150	964,057
Less: Accumulated Depreciation	(1,274,273)	(1,291,663)
Capital Assets, Net	\$ 225,689	\$ 236,947

Capitalized assets related to the Township's bond issue voted in 2000 to construct and equip the library building are not reflected on the Hamburg Township Library's financial statements. Rather they are reflected on the primary government's, Hamburg Township's, financial statements. The Library is a component unit of Hamburg Township. As Hamburg Township was the official issuer of the 2000 general obligation bonds, the library collection materials purchased with bond proceeds are reflected on the Township's financial statements.

Additional information on Hamburg Township Library's capital assets can be found in note III.B on page 19 of this report.

Economic Factors and Next Year's Budget – July 1, 2023 to June 30, 2024

The library millage was approved by the voters in August 2022 for 0.9 mills. This operating increase set in motion the library's improvement plan for the next 8 years. For next year's budget, the plan includes:

- The library will move forward with the interior renovation plan estimated at \$150,000.
- A new roof was planned to happen in FY 2028-29, but it appears it may happen this fiscal year.
- New programs that proved popular will be continued and increased for next fiscal year.

These considerations were included in the 2023-2024 fiscal year budget.

Requests for Information

This financial report is designed to provide a general overview of Hamburg Township Library's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Library Director, Hamburg Township Library, 10411 Merrill Road, P.O. Box 247, Hamburg, Michigan 48139.

BASIC FINANCIAL STATEMENTS

HAMBURG TOWNSHIP LIBRARY

Statement of Net Position

June 30, 2023

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 2,687,638
Interest Receivable	8,532
Due from State	10,855
Due from Other	350
Prepaid Expenditures	13,623
Capital Assets (net of accumulated depreciation)	225,689
Total Assets	<u>2,946,687</u>
<u>LIABILITIES</u>	
Accounts Payable	24,822
Due to Other Governmental Units	21,785
Unearned Revenue	3,725
Noncurrent Liabilities:	
Due within one year	-
Due in more than one year (vacation/sick leave)	37,455
Total Liabilities	<u>87,787</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	225,689
Unrestricted	2,633,211
Total Net Position	<u>\$ 2,858,900</u>

HAMBURG TOWNSHIP LIBRARY
Statement of Activities
For the Year Ended June 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	
Governmental Activities:					
Cultural - Library	\$ 916,241	\$ 16,849	\$ 121,425	\$ -	\$ (777,967)
		General Revenues:			
					1,113,775
					21,558
					37,176
					1,172,509
					394,542
					2,464,358
					\$ 2,858,900

HAMBURG TOWNSHIP LIBRARY

Balance Sheet
Governmental Fund
June 30, 2023

	<u>General Fund</u>
<u>ASSETS</u>	
Cash	\$ 2,687,638
Interest Receivable	8,532
Due from State	10,855
Due from Other	350
Prepaid Expenditures	<u>13,623</u>
 Total Assets	 \$ <u><u>2,720,998</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Accounts Payable	\$ 24,822
Due to Other Governmental Units	21,785
Unearned Revenue	3,725
Total Liabilities	<u>50,332</u>
 Fund Balance:	
Nonspendable	13,623
Assigned	1,022,455
Unassigned	<u>1,634,588</u>
Total Fund Balance	2,670,666
 Amounts reported for governmental activities 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.	225,689
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(37,455)</u>
 Net Position of Governmental Activities	 \$ <u><u>2,858,900</u></u>

HAMBURG TOWNSHIP LIBRARY
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2023

	<u>General Fund</u>
<u>Revenues</u>	
Property Taxes Levied	\$ 1,113,775
State Aid to Libraries	21,558
State PPT Reimbursement	3,532
Grants	2,571
Penal Fines	41,102
Book Fines	5,317
Charges for Services	7,971
Interest Earned	37,176
Public Donations	74,220
Other	3,561
Total Revenues	<u>1,310,783</u>
<u>Expenditures</u>	
Current:	
Cultural - Library Operations	891,447
Capital Outlay	<u>15,785</u>
Total Expenditures	<u>907,232</u>
Net Change in Fund Balance	403,551
Fund Balance - Beginning	<u>2,267,115</u>
Fund Balance - Ending	<u>\$ 2,670,666</u>

HAMBURG TOWNSHIP LIBRARY
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2023

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental fund	\$	403,551
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
	Capital Outlay	42,305
	Depreciation Expense	(53,563)
<p>Governmental funds report a liability for compensated absences only if they have matured, whereas the change in the total liability from prior year is reported in the Statement of Activities. This amount represents the change in the total liability for compensated absences.</p>		
		2,249
Change in net position in governmental activities	\$	394,542

HAMBURG TOWNSHIP LIBRARY
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$ 1,064,921	\$ 1,064,921	\$ 1,113,775	\$ 48,854
State Aid	15,000	15,000	21,558	6,558
State PPT Reimbursement	1,000	1,000	3,532	2,532
Grants	1,571	2,571	2,571	-
Penal Fines	30,000	30,000	41,102	11,102
Book Fines	1,600	1,600	5,317	3,717
Copies & Fax	1,100	1,100	5,140	4,040
Programs	375	375	2,831	2,456
Interest Income	1,075	1,075	37,176	36,101
Donations	1,500	1,500	74,220	72,720
Miscellaneous	3,625	3,625	3,561	(64)
Total Revenues	<u>1,121,767</u>	<u>1,122,767</u>	<u>1,310,783</u>	<u>188,016</u>
Expenditures:				
Salaries & Wages	525,771	525,771	515,162	10,609
Fringe Benefits	138,617	138,617	120,365	18,252
Office Supplies	10,450	10,450	8,039	2,411
Postage	5,100	5,100	6,564	(1,464)
Custodian/Cleaning	23,075	23,075	19,845	3,230
Telephone	2,223	2,223	2,515	(292)
Internet	8,356	8,356	5,611	2,745
Utilities	24,803	24,803	26,938	(2,135)
Shared Maintenance	-	-	7,092	(7,092)
Workshops	650	650	25	625
Programs	13,458	13,978	17,447	(3,469)
Books	51,200	51,200	45,100	6,100
Magazines	1,750	1,750	1,217	533
Newspapers	2,260	2,260	1,967	293
Electronic Subscriptions	11,387	11,387	7,332	4,055
Audio	4,300	5,244	5,003	241
Music	400	400	12	388
Videos	3,800	3,800	3,430	370
Dues & Memberships	1,156	1,156	2,339	(1,183)
Professional Fees	17,850	17,850	10,992	6,858
Printing & Publishing	23,459	23,459	18,802	4,657
Payroll Service Fees	1,508	1,508	1,763	(255)
Miscellaneous	7,785	7,785	2,909	4,876
Equipment Maintenance	18,199	18,199	25,026	(6,827)
Repairs & Maintenance	16,275	16,275	29,102	(12,827)
Landscape Maintenance	2,360	2,360	1,332	1,028
Building Improvements	2,500	2,500	5,576	(3,076)
Office Equipment	350	350	572	(222)
Office Furniture	300	300	2,435	(2,135)
Computer Equipment	22,000	22,000	12,720	9,280
Total Expenditures	<u>941,342</u>	<u>942,806</u>	<u>907,232</u>	<u>35,574</u>
Net Change in Fund Balance	180,425	179,961	403,551	223,590
Fund Balance - Beginning	<u>2,267,115</u>	<u>2,267,115</u>	<u>2,267,115</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 2,447,540</u>	<u>\$ 2,447,076</u>	<u>\$ 2,670,666</u>	<u>\$ 223,590</u>

HAMBURG TOWNSHIP LIBRARY
Notes to Financial Statements
June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Library provides public library services to the residents of Hamburg Township, Michigan. As required by generally accepted accounting principles, these financial statements present the Hamburg Township Library, which is a component unit of Hamburg Township.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. *Governmental activities* are activities which are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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*.

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

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 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 and claims and judgments, are recorded only when payment is due.

HAMBURG TOWNSHIP LIBRARY
Notes to Financial Statements
June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Property taxes, fines, 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.

Governmental Funds

The Library reports only one fund, which is the General 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.

Amounts reported as *program revenues* on page 9 include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. When both restricted and unrestricted resources are available for use, it is the Library's policy to use unrestricted resources first, then restricted resources as approved by the Board.

Estimates

The preparation of financial statements in conformity with 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.

D. Assets, Liabilities and Net Position or Equity

1. Deposits and Investments

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Library to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks. Investments are recorded at fair value.

2. Capital Assets

Capital assets, which include property, plant, and equipment are reported in the governmental column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs

HAMBURG TOWNSHIP LIBRARY
Notes to Financial Statements
June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Position or Equity – Continued

2. Capital Assets – Continued

that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building Improvements	5-20
Computer Equipment	4-5
Library Collection Materials	10

3. Compensated Absences

In accordance with personnel policies adopted by the Library Board, employees earn sick and vacation time based on time of service with the Library. All sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured. The long-term portion of compensated absences related to the governmental fund is a liability recorded in the Statement of Net Position.

4. Fund Equity

In the fund financial statements, governmental funds report the following components of fund balance:

Nonspendable – Amounts that are not in spendable form or are legally or contractually required to be maintained intact.

Restricted – Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.

Committed – Amounts that have been formally set aside by the Board for use for a specific purpose. Commitments are made and can be rescinded only via resolution of the Library Board.

Assigned – Intent to spend resources on specific purposes expressed by the Library Board.

Unassigned – This is the residual classification for the general fund. This classification represents fund balance that has not been restricted, committed, or assigned to specific purposes within the general fund.

HAMBURG TOWNSHIP LIBRARY
Notes to Financial Statements
June 30, 2023

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Library is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

1. Prior to June 1, the Library Director submits a proposed operating budget for the ensuing fiscal year commencing July 1. The board adopts the budget at the total fund level.
2. Public hearings are held prior to adoption.
3. Prior to June 30, the budget is enacted by passage of a resolution.
4. Formal budget integration is employed as a management control device for the General Fund.
5. The budget for the General Fund is adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP).
6. Appropriations lapse at year end.
7. The Library Board may amend the budget during the year.

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balances

The Library has no funds with accumulated fund balance deficits.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated in the annual budget. In the body of the financial statements, the Library's actual expenditures and budgeted expenditures have been shown on a line item basis. The approved budget of the Library for the General Fund, which is the budgetary fund was adopted on the activity level. During the year ended June 30, 2023, the Library did not incur expenditures in excess of the amount appropriated.

HAMBURG TOWNSHIP LIBRARY
Notes to Financial Statements
June 30, 2023

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law, the Library is permitted to invest in deposits with Michigan commercial banks, savings and loans and credit unions, obligations of the U.S. Treasury, and corporate bonds and commercial paper with certain investment grades. However, as the Library is a component unit of Hamburg Township, all Library funds are held in separate accounts from that of the Township. The Township manages their investment policy in accordance with the State of Michigan Public Act 20 of 1943, as amended. Also, in accordance with P.A. 164 of 1877, as amended, MCL section 397.205, the Library has limited control into the direction of choosing a banking institution to deposit the Library's funds. The following information, as required by Governmental Accounting Standards Board Statement Number 40, is presented regarding the Library's deposits and investments:

Custodial Credit Risk. In the event of a bank failure, the Library's deposits may not be recovered. Neither State law nor the Library's investment policy requires consideration of custodial credit risk. As of June 30, 2023, the Library's book balance of its deposits (certificates of deposit and checking and savings accounts) was \$2,687,638. The bank balance was \$2,692,245, of which \$572,180 was uninsured and uncollateralized.

Credit Risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Library's investment policy does not further limit its investment choices.

Concentration of Credit Risk. The Library's investment policy places no limit on the amount the Library may invest in any one issuer. All of the Library's investments are distributed between several Michigan commercial banks.

HAMBURG TOWNSHIP LIBRARY
Notes to Financial Statements
June 30, 2023

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, being depreciated:				
Buildings and Improvements	\$ 394,574	\$ 15,785	\$ -	\$ 410,359
Computer Equipment	169,979	-	(29,526)	140,453
Library Collection Materials	964,057	26,520	(41,427)	949,150
	<u>1,528,610</u>	<u>42,305</u>	<u>(70,953)</u>	<u>1,499,962</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(185,742)	(20,067)	-	(205,809)
Computer Equipment	(156,059)	(6,104)	29,526	(132,637)
Library Collection Materials	(949,862)	(27,392)	41,427	(935,827)
	<u>(1,291,663)</u>	<u>(53,563)</u>	<u>70,953</u>	<u>(1,274,273)</u>
Capital Assets, Net	<u>\$ 236,947</u>	<u>\$ (11,258)</u>	<u>\$ -</u>	<u>\$ 225,689</u>

Depreciation expense was charged to functions/programs of the Library as follows:

Governmental Activities: Cultural-Library	<u>\$ 53,563</u>
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C. Long-Term Debt

The following is a summary of long-term debt transactions of the Library for the year ended June 30, 2023:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental Activities:					
Compensated Absences	\$ 39,704	\$ -	\$ 2,249	\$ 37,455	\$ -

HAMBURG TOWNSHIP LIBRARY
Notes to Financial Statements
June 30, 2023

III. DETAILED NOTES ON ALL FUNDS – Continued

D. Fund Balance

A detailed description of fund balance classifications at June 30, 2023, is presented below:

<u>Fund Balance</u>	<u>General Fund</u>
Nonspendable (Prepaid Expenses)	\$ 13,623
Assigned:	
Building Capital Facilities	
Development	500,000
Programs and Services	
Development	485,000
Long Term Liabilities	37,455
Unassigned	<u>1,634,588</u>
Total Fund Balance	<u>\$2,670,666</u>

E. Property Taxes

Property taxes are assessed as of each December 31. Taxes are billed the following December 1 and due the subsequent March 1, at which time the applicable property is subject to lien and penalty and interest is assessed. The Library's tax levy for the 2022 tax roll is as follows (tax rate per \$1,000 of assessed valuation):

<u>Source</u>	<u>Purpose</u>	<u>Date of</u> <u>Authorization</u>	<u>Maximum</u> <u>Authorized</u>	Less: <u>Required</u> <u>Reductions</u> <u>(State Law)</u>	<u>Maximum</u> <u>Allowable</u> <u>Millage</u>	<u>Tax</u> <u>Levy</u>
Voted	Operating	8/2022	.9000 mil	.0000	.9000	.9000

The current millage was approved by voters in August 2022 and expires at the end of the Winter 2029 tax collection period.

IV. OTHER INFORMATION

A. Defined Contribution Plan

The Library provides all of its full-time employees with a defined contribution retirement plan provided through Hamburg Township and administered by John Hancock. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by Board resolution, the Library contributes 10 percent of employees' gross earnings annually to the plan. The plan may be amended by Board resolution. The Library's current year contribution was \$28,429 for the four full-time employees covered under the plan.

HAMBURG TOWNSHIP LIBRARY
Notes to Financial Statements
June 30, 2023

IV. OTHER INFORMATION – Continued

B. Risk Management

The Library, through Hamburg Township, is a member of the Michigan Municipal Risk Management Authority for its general liability coverage and a member of the Michigan Municipal Workers Compensation Fund for its workers compensation coverage and pays annual premiums to the pools. The pools are self-sustaining through member premiums, and each carries reinsurance through commercial companies for claims in excess of the pool loss reserve fund. In the event that a single loss should exceed the amount of protection afforded by the pool loss reserve fund, reinsurance, or other insurance carried by the pools, or in the event that a series of losses should deplete or exhaust the loss reserve fund and reinsurance, the payment of valid losses shall be the obligation of the individual member or members of the respective pool against whom the claim was made. No such event has occurred with Hamburg Township Library and the pools to which it belongs in any of the past three fiscal years.

C. Upcoming Accounting Pronouncements

The Governmental Accounting Standards Board has issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences as well as the disclosure requirements. This statement requires that the compensated absence liability be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. This statement is effective for the Library's financial statements beginning with the fiscal year ending June 30, 2025.