

LEROY COMMUNITY LIBRARY

LEROY, MICHIGAN

YEAR ENDED JUNE 30, 2022



Baird, Cotter & Bishop, P.C.

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LEROY COMMUNITY LIBRARY
LEROY, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2022
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November 21, 2022

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board
LeRoy Community Library
LeRoy, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund information of LeRoy Community Library, LeRoy, Michigan as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund information of LeRoy Community Library, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 LeRoy Community 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 the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government 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 LeRoy Community 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about LeRoy Community Library's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iv through ix and page 15 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with

management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2022, on our consideration of LeRoy Community Library, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LeRoy Community Library, Michigan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LeRoy Community Library, Michigan's internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

LEROY COMMUNITY LIBRARY
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

Management's Discussion and Analysis

The management of the LeRoy Community Library, LeRoy, Michigan ("the Library") offers this narrative overview and analysis of the financial activities of the Library for the fiscal year ended June 30, 2022, for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the Library's financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

Government-Wide

- ❖ The assets of the Library exceeded its liabilities at the close of this fiscal year by \$157,654 (shown as *net position*). Of this amount, \$100,140 (*unrestricted net position*) may be used to meet the Library's ongoing obligations to citizens and creditors.
- ❖ The Library's net position increased by \$82,612 during the fiscal year.

Fund Level

- ❖ As of June 30, 2022, the governmental fund of the LeRoy Community Library reported ending fund balance of \$115,140, of which \$66,282 was unassigned.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the LeRoy Community Library's basic financial statements. The Library's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The *Government-Wide Financial Statements* are designed to provide a broad overview of the Library's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the Library's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as the net position of the Library. 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. An increase in net position would indicate an improvement in financial condition. On the other hand, a consistent decrease over time in net position may indicate a decline in the financial health of an organization.

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 for some items that will only result in cash flows in future periods.

LEROY COMMUNITY LIBRARY
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

Both of the government-wide statements distinguish functions of the Library that are principally supported by intergovernmental revenues (governmental activities) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Library include recreation and culture. The Library does not have any business-type activities.

The government-wide financial statements can be found on pages 1-2 of this report.

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.

Governmental Funds Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. 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 government'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 Library maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, which is considered to be a major fund.

The Library adopts an annual budget for the General Fund. A budgetary comparison has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3-6 of this report.

Notes to Financial Statements The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and the fund financial statements. The notes can be found beginning on page 7 of this report.

Other Information In addition to the basic financial statements and accompanying notes, this report also presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

LEROY COMMUNITY LIBRARY
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

Government-Wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of LeRoy Community Library, assets exceeded liabilities by \$157,654 at the close of the most recent fiscal year.

Unrestricted net position of \$100,140, may be used to meet the Library's ongoing obligations to citizens and creditors.

LeRoy Community Library
Net Position
June 30,

	<u>2022</u>	<u>2020</u>
Assets		
Current Assets	\$ 116,585	\$ 53,405
Non Current Assets		
Capital Assets	130,267	128,275
Less Accumulated Depreciation	<u>(87,753)</u>	<u>(84,521)</u>
Total Non Current Assets	<u>42,514</u>	<u>43,754</u>
Total Assets	<u>159,099</u>	<u>97,159</u>
Liabilities		
Current Liabilities	<u>1,445</u>	<u>535</u>
Net Position		
Net Investment in Capital Assets	42,514	43,754
Restricted for Scholarships	15,000	15,000
Unrestricted	<u>100,140</u>	<u>37,870</u>
Total Net Position	<u>\$ 157,654</u>	<u>\$ 96,624</u>

The largest portion of the Library's net position, \$100,140 reflects unrestricted resources that may be used to meet the government's ongoing obligations to its citizens and creditors.

The next largest portion of the Library's net position, \$42,514 represents its investment in capital assets (e.g. building, furniture and equipment, computer and office equipment, and books), less any related outstanding debt that was used to acquire those assets. The Library uses these capital assets to provide a variety of services to citizens. Accordingly, these assets are not available for future spending.

At the end of the current fiscal year, the Library is able to report positive balances in all categories of net position.

LEROY COMMUNITY LIBRARY
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

The Library's overall net position increased by \$82,612 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for the governmental activities.

LeRoy Community Library
Change in Net Position
for the Fiscal Year Ended June 30,

<u>Revenues</u>	<u>2022</u>	<u>2020</u>
General Revenues		
State Grants	\$ 2,062	\$ 3,273
Interest	23	75
Other	783	1,271
Total General Revenues	<u>2,868</u>	<u>4,619</u>
Program Revenues		
Charges for Services	5	18
Operating Grants and Contributions	127,782	18,309
Total Program Revenues	<u>127,787</u>	<u>18,327</u>
Total Revenues	130,655	22,946
Expenses		
Recreation and Culture	<u>48,043</u>	<u>30,496</u>
Change in Net Position	82,612	(7,550)
<u>NET POSITION</u> - Beginning of Year	<u>75,042</u>	<u>104,174</u>
<u>NET POSITION</u> - End of Year	<u>\$ 157,654</u>	<u>\$ 96,624</u>

Governmental Activities

The governmental activities accounted for an increase of \$82,612 in the Library's net position. The most significant portion of the revenue for all governmental activities of the Library comes from Operating Grants and Contributions.

All of the Library's governmental activities expenses are Recreation and Culture.

Financial Analysis of the Government's Funds

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

LEROY COMMUNITY LIBRARY
LEROY, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

Governmental Funds The focus of the Library’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Library’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Library itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Library Board.

At June 30, 2022, the Library’s governmental fund reported a fund balance of \$115,140, an increase of \$82,243 in comparison with the prior year. \$66,282 of this amount constitutes *unassigned fund balance*, which is available for spending at the Library’s discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form (\$562), 2) legally required to be maintained intact, 3) restricted for particular purposes (\$15,000), 4) committed for particular purposes, or 5) assigned for particular purposes (\$33,296).

General Fund – The General Fund is the main operating fund of the Library. The General Fund increased its fund balance in this fiscal year by \$82,243, bringing the balance to \$115,140. The Library had budgeted for a small loss this fiscal year but received a greater amount of donations than what was budgeted. Of the \$115,140 of fund balance, \$562 is nonspendable, \$15,000 is restricted, \$33,296 is assigned, and \$66,282 is unassigned.

General Fund Budgetary Highlight

During the year, there were no amendments in appropriations between the original budget and final amended budget.

The following schedule shows a comparison of the original general fund budget, the final general fund budget and actual totals from operations:

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>FINAL</u> <u>BUDGET</u>	<u>ACTUAL</u>
Total Revenues	\$ 19,970	\$ 19,970	\$ 130,655
Total Expenditures	\$ 37,680	\$ 37,680	\$ 48,412

There was no variance between the original budgeted revenues and final budgeted revenues. The actual revenues were much higher compared to the final budgeted revenues due to greater than anticipated donations. There was no variance between original budgeted expenditures and final budgeted expenditures. The final budgeted expenditures were higher than actual expenditures primarily due to the Library spending more than budgeted on children’s programs and books.

Capital Assets

The Library’s investment in capital assets for the governmental activities as of June 30, 2022, amounted to \$42,514 (net of accumulated depreciation).

LEROY COMMUNITY LIBRARY
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2022

Capital assets of the Library include any items purchased that cost in excess of \$1,000 and have an expected useful life of over one year. The Library has invested in a broad range of capital assets, as detailed below:

LeRoy Community Library
Capital Assets as of June 30,

	<u>2022</u>	<u>2020</u>
Building	\$ 65,363	\$ 65,363
Furniture and Equipment	26,126	26,126
Computer and Office Equipment	11,463	11,463
Books	<u>27,315</u>	<u>25,323</u>
Total Assets	130,267	128,275
Less Accumulated Depreciation	<u>87,753</u>	<u>84,521</u>
Capital Assets, Net of Depreciation	<u>\$ 42,514</u>	<u>\$ 43,754</u>

Major capital asset events during the fiscal year included book additions of \$5,058 and book disposals of \$3,031.

In addition to purchasing the above assets, the Library has committed to spend \$6,426 for new flooring.

Additional information regarding the Library's capital assets can be found in the Notes to Financial Statements section.

Economic Outlook for the Library

At the time that these financial statements were prepared and audited, the Library was aware of the following items that could significantly affect its financial health in the future:

A significant portion of the Library's funding comes from penal fines; any impairment to this funding source would greatly impact the future of the Library.

Contacting the Library's Financial Management

This financial report is designed to provide the wide variety of users of this document with a general overview of the Library's finances and demonstrate the Library's accountability for the financial resources entrusted to it. If you have questions regarding this report or need additional financial information, please direct your responses to the LeRoy Community Library, 104 W. Gilbert Street, P.O. Box 110, LeRoy, Michigan 49655.

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LEROY COMMUNITY LIBRARY
LEROY, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2022

ASSETS

CURRENT ASSETS

Cash	\$ 116,023
Prepaid Expenses	562
	<hr/>
Total Current Assets	116,585

NON CURRENT ASSETS

Capital Assets	130,267
Less Accumulated Depreciation	(87,753)
	<hr/>
Total Non Current Assets	42,514

TOTAL ASSETS

159,099

LIABILITIES

Accounts Payable	321
Payroll Liabilities	1,124
	<hr/>

TOTAL LIABILITIES

1,445

NET POSITION

Net Investment in Capital Assets	42,514
Restricted for Scholarships	15,000
Unrestricted	100,140
	<hr/>

TOTAL NET POSITION

\$ 157,654

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

LEROY COMMUNITY LIBRARY
LEROY, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>GOVERNMENTAL ACTIVITIES</u>
<u>GOVERNMENTAL ACTIVITIES</u>		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>
Recreation and Culture	\$ 48,043	\$ 5	\$ 127,782	\$ 79,744
<u>GENERAL REVENUES</u>				
State Grants				2,062
Interest				23
Other				783
Total General Revenues				2,868
Change in Net Position				82,612
 <u>NET POSITION</u> - Beginning of Year				75,042
 <u>NET POSITION</u> - End of Year				\$ 157,654

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

LEROY COMMUNITY LIBRARY

LEROY, MICHIGAN

GENERAL FUND
BALANCE SHEET

JUNE 30, 2022

ASSETS

Cash	\$ 116,023
Prepaid Expenditures	<u>562</u>
Total Assets	<u><u>\$ 116,585</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 321
Payroll Liabilities	<u>1,124</u>
Total Liabilities	<u>1,445</u>

FUND BALANCE

Nonspendable for Prepaid Expenditures	562
Restricted for Scholarships	15,000
Assigned for Subsequent Year Budget Shortfall	33,296
Unassigned	<u>66,282</u>
Total Fund Balance	<u>115,140</u>

TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 116,585</u></u>
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The notes to the financial statements are an integral part of this statement.

LEROY COMMUNITY LIBRARY
LEROY, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF THE GENERAL FUND
TO THE STATEMENT OF NET POSITION

JUNE 30, 2022

Total General Fund Balance	\$ 115,140
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 are not reported in the funds.	
The cost of the capital assets is	\$ 130,267
Accumulated depreciation is	<u>(87,753) 42,514</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 157,654</u>

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

LEROY COMMUNITY LIBRARY

LEROY, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2022

REVENUES

Federal Grants	\$ 925
State Grants	
State Aid	2,062
Charges for Services	
Copies	5
Fines and Forfeits	
Library Penal Fines	
Osceola County	12,448
Interest and Rents	
Interest Earnings	23
Other Revenues	
Contributions and Donations	106,759
Sale of Books	763
Miscellaneous	7,670
Total Revenues	<u>130,655</u>

EXPENDITURES

Recreation and Culture	
Personal Services	
Librarian	18,233
Social Security and Medicare	1,395
Worker's Compensation	660
Supplies	
Magazines	970
Office and Other Supplies	2,362
Children's Programs	5,782
Other Services and Charges	
Advertising	1,144
Insurance and Bonds	1,101
Utilities	2,248
Telephone	2,090
Internet and Software	3,423
Repair and Maintenance	1,933
State Aid-Membership	1,031
Miscellaneous	487
Capital Outlay	
Books	5,553
Total Expenditures	<u>48,412</u>

Excess (Deficiency) of Revenues Over Expenditures 82,243

FUND BALANCE - Beginning of Year 32,897

FUND BALANCE - End of Year \$ 115,140

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

LEROY COMMUNITY LIBRARY
LEROY, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF THE GENERAL FUND TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

Net Change in Fund Balance	\$ 82,243
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(4,689)
Capital Outlay	<u>5,058</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 82,612</u></u>

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

LEROY COMMUNITY LIBRARY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) report the information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary governmental is financially accountable. LeRoy Community Library does not have any *business-type activities* or *component units*.

B. Reporting Entity

The Library is a legally established Library pursuant to Section 6 of Act 24 of the Public Acts of 1989. The accounting policies of the Library conform to generally accepted accounting principles (GAAP) as applied to government units. The following is a summary of the more significant policies:

The financial statements of the Library include the accounts of all operations. The Library provides library services to the residents of the LeRoy, Michigan area from its facility located in LeRoy, Michigan. The participating municipalities include Cedar Township, LeRoy Township, Lincoln Township, Rose Lake Township, and the Village of LeRoy. The Library Board is made up of six appointed board members.

In addition, there are no component units to be included in the Library's reporting entity as defined in Governmental Accounting Standards Board Statement No. 14.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on major governmental funds.

The Library reports the following major governmental fund:

The General Fund is the primary operating fund of the Library. It is used to account for all financial resources of the Library.

LEROY COMMUNITY LIBRARY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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 timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

State and federal aid 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. Entitlements and shared revenues are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the Library.

F. Budgetary Information

1. Budgetary Basis of Accounting

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The board of directors of the Library annually prepares an operating budget. The operating budget includes proposed expenditures and the means of financing them.
- b. The budget is approved by the Library board prior to the start of the fiscal year which it covers.
- c. All transfers of budget amounts between accounts within the General Fund must be approved by the Library board.

LEROY COMMUNITY LIBRARY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

- d. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted revenues and expenditures include any authorized amendments to the original budget as adopted.
- e. Budget appropriations lapse at the end of the fiscal year.
- f. Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Library because, at present, it is not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

2. Excess of Expenditures Over Appropriations

	APPROPRIATIONS	EXPENDITURES
General Fund		
Personal Services		
Librarian	\$ 16,500	\$ 18,233
Worker's Compensation	0	660
Supplies		
Magazines	0	970
Office and Other Supplies	2,000	2,362
Children's Programs	300	5,782
Other Services and Charges		
Advertising	0	1,144
Repair and Maintenance	500	1,933
State Aid-Membership	0	1,031
Miscellaneous	150	487
Capital Outlay		
Books	3,500	5,553

These overages were covered by available fund balance and greater than anticipated revenues.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The Library's cash is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments. The government considers all highly liquid investments (including certificates of deposit) to be cash equivalents.

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2. *Investments*

The Library's investment policy states that the LeRoy Community Library is limited to investments authorized by Act 20 of 1943, as amended by Act 217, Public Acts of 1982 and Act 196, Public Acts of 1997, and may invest in the following:

- (a) Certificates of Deposit
- (b) Savings Accounts
- (c) Money Market Accounts

3. *Inventories and Prepaid Items*

Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. There were no material inventories at year end.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. *Capital Assets*

Capital assets, which include property, plant, furniture and equipment, and books, are reported in the applicable governmental column in the government-wide financial statements. The Library's capitalization policy is to capitalize individual amounts exceeding \$1,000 and large purchases of books. Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated acquisition value 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Land and construction in progress are not depreciated. The other property, plant, furniture and equipment, and books of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Building	50 years
Furniture and Fixtures	10 years
Computer and Office Equipment	5 years
Books	7 years

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5. *Unearned Revenue*

Unearned revenue arises when resources are received by the Library before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The Library does not have any unearned revenue.

6. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net 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 does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The 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 does not have any items that qualify for reporting in this category.

7. *Net Position Flow Assumption*

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

8. *Fund Balance Flow Assumptions*

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. *Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Library itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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The committed fund balance classification includes amounts that can only be used for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can commit fund balance. Once adopted, the limitation imposed by the Board remains in place until a similar action is taken to remove or revise the limitation.

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

10. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenue 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note I.F.2, on the Excess of Expenditures Over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2022. Also, the budget was officially adopted for the fiscal year after the start of the fiscal year.

III. DETAILED NOTES ON GENERAL FUND

A. Deposits

As of June 30, 2022, the Library had deposits subject to the following risk:

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2022, none of the Library's bank

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balance of \$118,017 was exposed to custodial credit risk because it was insured and collateralized. As of June 30, 2022, deposits of \$116,023 are reported on the financial statements as cash.

Interest Rate Risk – In accordance with its investment policy, the Library will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Library’s cash requirements.

Credit Risk – State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit equity.

Concentration of Credit Risk – The Library will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Library’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign Currency Risk. The Library is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

B. Capital Assets

A summary of changes in the Library’s capital assets follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital Assets:				
Building	\$ 65,363	\$ 0	\$ 0	\$ 65,363
Furniture and Equipment	26,126	0	0	26,126
Computer and Office Equipment	11,463	0	0	11,463
Books	25,288	5,058	3,031	27,315
Total Capital Assets	<u>128,240</u>	<u>5,058</u>	<u>3,031</u>	<u>130,267</u>
Less Accumulated Depreciation:				
Building	38,129	1,307	0	39,436
Furniture and Equipment	22,176	460	0	22,636
Computer and Office Equipment	11,463	0	0	11,463
Books	14,327	2,922	3,031	14,218
Total Accumulated Depreciation	<u>86,095</u>	<u>4,689</u>	<u>3,031</u>	<u>87,753</u>
Net Capital Assets	<u>\$ 42,145</u>	<u>\$ 369</u>	<u>\$ 0</u>	<u>\$ 42,514</u>

Depreciation expense for the fiscal year ended June 30, 2022, amounted to \$4,689.

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IV. OTHER INFORMATION

A. Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation).

The Library continues to carry commercial insurance for various risks of loss, including general liability, property and casualty, and accident insurance, and workers' disability compensation. The Library has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

B. Commitments and Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required, and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial portion of the Library. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

Prior to year-end, the Library committed to spend \$6,426 for new flooring.

C. Subsequent Events

After June 30, 2022, the Library approved spending \$1,200 to purchase outside lockers. No adjustments were made to the financial statements as a result of the subsequent event.

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REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED JUNE 30, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Federal Grants	\$ 0	\$ 0	\$ 925
State Grants	950	950	2,062
Charges for Services	0	0	5
Fines and Forfeits	14,000	14,000	12,448
Interest and Rentals	20	20	23
Other Revenues	5,000	5,000	115,192
Total Revenues	19,970	19,970	130,655
<u>EXPENDITURES</u>			
Recreation and Culture			
Personal Services			
Librarian	16,500	16,500	18,233
Social Security and Medicare	3,200	3,200	1,395
Worker's Compensation	0	0	660
Supplies			
Magazines	0	0	970
Office and Other Supplies	2,000	2,000	2,362
Children's Programs	300	300	5,782
Other Services and Charges			
Professional Fees	50	50	0
Advertising	0	0	1,144
Insurance and Bonds	1,600	1,600	1,101
Travel and Education	500	500	0
Utilities	2,680	2,680	2,248
Telephone	2,800	2,800	2,090
Internet and Software	3,900	3,900	3,423
Repair and Maintenance	500	500	1,933
State Aid-Membership	0	0	1,031
Miscellaneous	150	150	487
Capital Outlay			
Books	3,500	3,500	5,553
Total Expenditures	37,680	37,680	48,412
Excess (Deficiency) of Revenues Over Expenditures	(17,710)	(17,710)	82,243
<u>FUND BALANCE</u> - Beginning of Year	51,795	51,795	32,897
<u>FUND BALANCE</u> - End of Year	\$ 34,085	\$ 34,085	\$ 115,140

