

September 19, 2024

To the Library Board
Leelanau Township Library

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Leelanau Township Library for the year ended March 31, 2024. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 24, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Leelanau Township Library are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2024. We noted no transactions entered into by Leelanau Township Library during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

The estimate of capital asset depreciation is based on the estimated useful lives of the Library's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that they are reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

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Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material. Either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter September 19, 2024.

Other Issues

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

Other Matters

We applied certain limited procedures to management's discussion and analysis and the budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining balance sheet and combining statement of revenues, expenditures, and changes in fund balances for the nonmajor governmental funds, which accompany the financial statements but are not RSI. With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Leelanau Township Library as of and for the year ended March 31, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered Leelanau Township Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below we have identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency to be a material weakness;

Material audit adjustments and financial statement preparation:

Criteria: We identified and proposed several material audit adjustments that management reviewed and approved. Adjustments were recorded to:

- Convert the fund-based data necessary to prepare the government-wide financial statements.

As is the case with many small and medium-sized governmental units, the Library has historically relied on its independent external auditor to assist with the preparation of the financial statements, the related notes, and the management's discussion and analysis as part of its external financial reporting process. Accordingly, the Library's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditor, who cannot, by definition, be considered part of the Library's internal controls. Having the auditor draft the annual financial statements is allowable under current auditing standards and ethical guidelines and may be the most efficient and effective method for preparation of the Library's financial statements. However, when an entity (on its own) lacks the ability to produce financial statements that conform to GAAP, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses. This is a repeat finding.

Cause: This condition was caused by the Library's decision to outsource the preparation of its annual financial statements to the external auditor rather than incur the costs of obtaining the necessary training and expertise required for the Library to perform this task internally because outsourcing the task is considered more cost effective.

Effect: The Library's accounting records were initially misstated by amounts material to the financial statements. In addition, the Library lacks complete internal controls over the preparation of its financial statements in accordance with GAAP, and, instead, relies, at least in part, on assistance from its external auditor for assistance with this task.

Auditor's Recommendation: We recommend that management continue to monitor the relative costs and benefits of securing the internal or other external resources necessary to develop material adjustment and prepare a draft of the Library's annual financial statements versus contracting with its auditor for these services.

Management Response: Management has made an ongoing evaluation of the respective costs and benefits of obtaining internal or external resources, specifically for the preparation of financial statements, and has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so. Management will continue to review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

We did not audit Leelanau Township Library's response to the internal control finding described above and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the Library Board of Leelanau Township Library and the State of Michigan Department of Treasury and is not intended to be, and should not be, used by anyone other than these specified parties.

Tobin & Co., P.C.
Certified Public Accountants
August 14, 2024

Leelanau Township Library

Leelanau County, Michigan

Annual Financial Statements

For the Year Ended March 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Library Board
Leelanau Township Library
Leelanau County
Northport, Michigan 49670

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of Leelanau Township Library, Michigan, as of and for the year ended March 31, 2024, and the related notes to the financial statements, which collectively comprise the Leelanau Township Library, Michigan'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 of Leelanau Township Library, Michigan, as of March 31, 2024, and the respective changes in financial position for the twelve months then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Leelanau Township Library, Michigan 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 opinion.

Responsibility 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 Leelanau Township Library, Michigan'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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

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- 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 Leelanau Township Library, Michigan'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 Leelanau Township Library, Michigan's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

TOBIN & CO., P.C.

Certified Public Accountants

September 19, 2024

LEELANAU TOWNSHIP LIBRARY MANAGEMENT DISCUSSION AND ANALYSIS

This section of the Library's annual report presents our discussion and analysis of the Library's financial performance during the fiscal year ended March 31, 2024. Please read it in conjunction with the financial statements, which immediately follow this section.

Financial Highlights

The net assets of the Library exceeded its liabilities at the close of the current fiscal year by \$445,874. Of this amount, \$380,855 may be used to meet the Library's ongoing General Fund obligations to citizens and creditors.

As of the close of the current fiscal year, the Library's governmental funds reported an ending fund balance of \$380,855, an increase of \$140,920 in comparison with the prior year. Of the total amount, \$380,855 is available for spending at the Library's discretion.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$380,855, or 199% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to 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 other supplementary information, in addition to the basic financial statements themselves.

1. 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 Library's financial position 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, earned but unused credits, and used but not paid expenses).

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 does not have any business-type activities (examples would include water and sewer, golf courses, airports, etc.).

2. 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. All of the funds of The Library are categorized as 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 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 balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Library maintains only one individual governmental fund.

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

3. 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.

4. 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.

General Fund Budgetary Highlights

The Library adopts an annual appropriated budget for its general fund. The Library budgets conservatively. Revenues are budgeted based on historic trends. Expenditures are budgeted based on the previous years' actual expense.

The Board receives reports on the library's financial operations at its monthly meetings. Budget amendments are voted and approved at these monthly meetings, if necessary. General fund revenues was greater than the budget by \$75,129. Expenditures were less than the budget by \$43,169.

General Fund Analysis and Highlights

General Fund: This fund is used to record all activities of the Library not required to be recorded in a separate fund. The major source of revenue for the general fund is an appropriation of tax revenues pursuant to a millage approved by the voters of Leelanau Township.

Net Position

Total net position at the end of the fiscal year was \$445,874. Of this total, \$65,019 is invested in capital assets. Consequently, unrestricted net position was \$380,855.

Condensed Financial Information

As noted earlier, net position over time, may serve as a useful indicator of the government's financial position. In the case of Leelanau Township Library, assets exceeded liabilities by \$445,874 at the close of the most recent fiscal year.

Net Position	
	Governmental Activities <u>3/31/24</u>
Current Assets	\$ 389,071
Capital Assets	<u>65,019</u>
Total Assets	454,090
Current Liabilities	<u>8,216</u>
Total Liabilities	<u>8,216</u>
Net Position:	
Investment in Capital	65,019
Unrestricted	<u>380,855</u>
Total Net Position	<u>\$ 445,874</u>

The largest portion of the Library's net position, \$380,855, is unrestricted. The remaining 11% of the Library's net position is made up of its net investment in capital assets (e.g. equipment and circulating materials.) The Library uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

At the end of the fiscal year, the Library reported a positive fund balance in the unrestricted position of governmental activities. Leelanau Township Library's overall net position increased by \$123,400 from the prior fiscal year.

Change in Net Position

	Governmental Activities <u>3/31/24</u>
Program Revenues:	
Charges for Services	\$ 1,630
Operating Grants & Contributions	330,105
General Revenues:	
Other	<u>770</u>
Total Revenues	<u>332,505</u>
Expenses:	
Recreation and Cultural	<u>209,105</u>
Total Expenses	<u>209,105</u>
Change in Net Position	123,400
Net Position Beginning of Year	<u>322,474</u>
Net Position End of Year	<u>\$ 445,874</u>

Changes in Net Position

The Library's total revenues for the current fiscal year amounted to \$332,505. Charges for services account for approximately 1% of the Library's revenues, while property taxes account for 79% of the total revenues.

The total cost of the Library's programs for fiscal year 2024, covering a wide range of services, totaled \$209,105.

Capital Asset and Debt Administration

Capital Assets

The Library's investment in capital assets for its governmental activities as of March 31, 2024, amounts to \$249,687. This investment in capital assets includes: collection, equipment and furnishings. All of our government funds report capital outlays as expenditures. However, the cost of the assets is allocated over their useful lives. Accumulated depreciation for these assets totals \$184,668.

General Fund Budgetary Highlights

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Total Revenues	\$ <u>257,376</u>	\$ <u>257,376</u>	\$ <u>332,505</u>
Total Expenditures	\$ <u>207,751</u>	\$ <u>234,754</u>	\$ <u>191,585</u>

The budget for revenues and expenditures was amended throughout the year as the Library had a clearer picture of some items that were estimated at the beginning of the year.

Cash Assets

At the end of the current fiscal year, the Library had \$384,770 in cash and other spendable assets. The Library is limited by State law in how it can invest these funds and we have made no changes in our investment strategy during the year.

Economic Factors and Next Year's Budgets

The Library's 2025 fiscal year budget does not anticipate significant changes in the amounts or composition of its major revenue sources. The Library has budgeted expenditures for the upcoming year at amounts sufficient to support its ongoing program and activities, while maintaining the current levels of its resources.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Library Director, Julie Preneta, P. O. Box 235, Northport, MI 49670

Leelanau Township Library
Statement of Net Position and Governmental Fund Balance Sheet
March 31, 2024

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Assets</u>
<u>Assets</u>			
Cash in Bank – Checking	\$ 3,434	\$ -	\$ 3,434
Cash in Bank – Money Market and CD	381,336	-	381,336
Prepaid Expenses	4,301	-	4,301
Capital Assets, Net of Accumulated Depreciation	<u>-</u>	<u>65,019</u>	<u>65,019</u>
Total Assets	<u>\$ 389,071</u>	<u>65,019</u>	<u>454,090</u>
 <u>Liabilities</u>			
Accounts Payable	810	-	810
Payroll Liabilities	3,501	-	3,501
Accrued Payroll	<u>3,905</u>	<u>-</u>	<u>3,905</u>
Total Liabilities	<u>8,216</u>	<u>-</u>	<u>8,216</u>
 <u>Fund Balances/Net Position</u>			
Fund Balance			
Unassigned	<u>380,855</u>	<u>(380,855)</u>	<u>-</u>
Total Fund Balances	<u>380,855</u>	<u>(380,855)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 389,071</u>		
 <u>Net Position</u>			
Invested in Capital Assets		65,019	65,019
Unrestricted		<u>380,855</u>	<u>380,855</u>
Total Net Position		<u>\$ 445,874</u>	<u>\$ 445,874</u>

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

Leelanau Township Library
Statement of Activities and Governmental Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended March 31, 2024

	<u>General Fund</u>	<u>Adjustments (Note 4)</u>	<u>Statement of Activities</u>
<u>Expenditures/Expenses:</u>			
Library Materials	\$ 27,656	\$ 17,520	\$ 45,176
Salaries, Wages and Fringe Benefits	123,412	-	123,412
Facilities and Equipment	27,732	-	27,732
Administrative Services	<u>12,785</u>	<u>-</u>	<u>12,785</u>
Total Expenditures/Expenses	<u>191,585</u>	<u>17,520</u>	<u>209,105</u>
<u>Program Revenues:</u>			
Charges for Services	1,630	-	1,630
Operating Grants and Contributions	<u>330,105</u>	<u>-</u>	<u>330,105</u>
Total Program Revenues	<u>331,735</u>	<u>-</u>	<u>331,735</u>
Net Program Revenues (Expenses)	140,150	(17,520)	122,630
<u>General Revenues:</u>			
Interest	<u>770</u>	<u>-</u>	<u>770</u>
Excess Revenues (Expenditures)	140,920	(17,520)	
Change in Net Position			123,400
<u>Fund Balance/Net Position:</u>			
Beginning of the Year	<u>239,935</u>	<u>82,539</u>	<u>322,474</u>
End of the Year	<u>\$ 380,855</u>	<u>\$ 65,019</u>	<u>\$ 445,874</u>

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

Leelanau Township Library
Notes to Financial Statements
March 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Library is located in Leelanau County and serves the residents of Northport and surrounding communities.

The Library's basic financial statements include the accounts of all Library operations. The criteria for including organizations within the Library's reporting entity, as set forth in GASB No. 61, "*The Financial Reporting Entity*", includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Library. Governmental activities are supported by taxes and intergovernmental revenues and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Other items not properly included among program revenues are reported instead as general revenues.

The financial activities of the Library are also reported in a separate self-balancing governmental fund described as follows:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Library. Revenues are derived primarily from local unit appropriations, penal fines, and state aid.

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for recognition of all Library Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual is property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

Leelanau Township Library
Notes to Financial Statements
March 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets

The General Fund is under formal budgetary control. Budgets shown in the required supplementary schedule for this fund were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Library.

For budgetary purposes appropriations lapse at fiscal year end.

E. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$2,500 or more except for collection items and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Building Improvements	20 years
Furnishings and Equipment	15 - 20 years
Collections	7 years
Computers	4 years

F. Use of Estimates

The preparation 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.

G. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items, if applicable.

H. Unearned Revenue

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

I. Net Position

Net position represents the difference between assets and liabilities. The Library reports three categories of net position, as follows: 1) Net investment in capital assets consists of net capital assets reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets; 2) restricted net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of the Library's debt. Restricted net position is reduced by liabilities related to the restricted assets; 3) Unrestricted net position consists of all other net position that does not meet the definition of the above components and is available for general use by the Library.

Leelanau Township Library
Notes to Financial Statements
March 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Net Position Flow Assumption

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 and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

K. Fund Balance Flow Assumption

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

L. Fund Equity

Fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Library Board. The Library Board is the highest level of decision-making authority for the Library. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Library Board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. All such assignments can be made only with unanimous approval of all committed members.

Unassigned – all other spendable amounts.

As of March 31, 2024, fund balances are composed of the following:

	General Fund
Unassigned	\$ <u>380,855</u>
Total Fund Balance	\$ <u>380,855</u>

When an expenditure is incurred for purposes for which both restricted and unassigned fund balance is available, the Library considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Library considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Library Board has provided otherwise in its commitment or assignment actions.

Leelanau Township Library
Notes to Financial Statements
March 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Deferred Outflow/Inflows of Resources

In addition to assets, the statement of net position and the governmental funds balance sheet, when applicable, will report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position/fund balance that applies to future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Library does not have any items of this type that qualify as deferred outflows of resources.

In addition to liabilities, the statement of net position and the balance sheet, when applicable, will sometime report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position/fund balance that applies to future period and so will not be recognized as an inflow of resources (revenue) until then.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at March 31, 2024.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended March 31, 2024, no cost centers exceeded their appropriations without formal budget amendment.

NOTE 3 - EXPLANATION OF CERTAIN ADJUSTMENTS BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION

Net capital assets of \$65,019 used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.

NOTE 4 - EXPLANATION OF CERTAIN ADJUSTMENTS BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE STATEMENT OF ACTIVITIES

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. The purchase of library materials exceeded depreciation by \$9,092 for the year.

NOTE 5 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Library, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) Repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In 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 local units of government in Michigan.

Leelanau Township Library
Notes to Financial Statements
March 31, 2024

NOTE 5 - DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

B. Types of Deposits

The Library had \$434,863 deposited with a local financial institution at March 31, 2024 with a carrying value of \$435,046. Interpreting the FDIC insurance coverage of \$250,000 of demand deposits and \$250,000 of time deposits per financial institution, the Library had \$184,863 of uninsured deposits at March 31, 2024.

Fair Market Value Disclosure. The Library is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices from similar activities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include, but are limited to, repurchase agreements, U.S. government agency securities, corporate securities, and commercial paper.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There are two types of valuation techniques most commonly used and vary depending on the level of investment. These two techniques are the market approach and income approach. The market approach uses prices and other relevant information generated by the market transactions involving identical or similar assets and liabilities. The income approach discounts future amounts to a single current amount and the discount rate used in the process should reflect current market expectations about risks associated with those future cash flows.

The Library does not have any investments that are subject to fair value disclosure.

NOTE 6 - CAPITAL ASSETS

Capital assets of governmental activities consisted of the following:

	Balance 3/31/23	Additions	Deletions	Balance 3/31/24
Collection	\$ 233,806	\$ 29,858	\$ (18,777)	\$ 244,887
Equipment	-	4,800	-	4,800
Total	233,806	34,658	(18,777)	249,687
Accumulated Depreciation	(151,267)	(33,401)	-	(184,668)
	<u>\$ 82,539</u>	<u>\$ 1,257</u>	<u>\$ (18,777)</u>	<u>\$ 65,019</u>

Depreciation expense is all allocated to recreation and culture.

Leelanau Township Library
Notes to Financial Statements
March 31, 2024

NOTE 7 - INVENTORIES

The Library does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses when purchased.

NOTE 8 - PENSION PLAN

The Library currently has no pension plan.

NOTE 9 - CONTINGENT LIABILITIES

There are no known contingent liabilities of the Library.

NOTE 10- COMPENSATED ABSENCES

In the fiscal year, a maximum of 60 hours of unused personal time was allowed. Unused personal time off will be paid upon termination or resignation, at the employees current rate of compensation. Compensated absence liability totaled \$1,700 for March 31, 2024.

NOTE 11- 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 audit year the Library addressed these risks through the purchase of commercial insurance through a local insurance agent. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

NOTE 13- SUBSEQUENT EVENTS

In preparing the accompanying financial statements, Library officials have evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to March 31, 2024 through September 19, 2024, the date these financial statements were available to be issued. No such significant events or transactions were identified.

REQUIRED SUPPLEMENTAL DATA SECTION

Leelanau Township Library

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended March 31, 2024

Schedule 1
Page 1

<u>Revenues</u>	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Contributions from Local Units:				
Penal Fines – Leelanau County	\$ 2,800	\$ 2,800	\$ 2,397	\$ (403)
Leland Township	247,976	247,976	262,669	14,693
State Grants:				
State Aid	2,100	2,100	2,297	197
Charges for Services:				
Fees and Fines	500	500	1,630	1,130
Interest and Rent:				
Interest	-	-	770	770
Other:				
Gifts, Donations, Memorials and Miscellaneous	4,000	4,000	62,742	58,742
Total Revenues	257,376	257,376	332,505	75,129
<u>Expenditures</u>				
Library Materials:				
Collection	-	-	26,342	-
Periodicals	-	-	-	-
Program Services	-	-	1,314	-
Total	29,100	31,082	27,656	3,426
Salaries, Wages and Fringe Benefits:				
Salaries and Wages	-	-	99,763	-
Payroll Taxes	-	-	7,190	-
Health Insurance	-	-	15,571	-
Workmen's Compensation	-	-	441	-
Professional Development and Other	-	-	447	-
Total	137,118	137,118	123,412	13,706
Facilities and Equipment:				
Utilities	-	-	4,383	-
Communications	-	-	929	-
Computer Services	-	-	9,770	-
Maintenance, Repairs and Supplies	-	-	4,160	-
Capital Outlay	-	-	4,648	-
Insurance	-	-	3,842	-
Total	22,842	34,734	27,732	7,002

The Notes to the Financial Statements are an integral part of this statement.

Leelanau Township Library
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended March 31, 2024

Schedule 1
Page 2

	<u>Budgetary Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<u>Expenditures (Continued)</u>				
Administrative Services:				
Community Relations	-	-	180	-
Office Supplies	-	-	4,516	-
Professional Services	-	-	5,980	-
Dues	-	-	1,619	-
Other	-	-	490	-
	<u>18,691</u>	<u>31,820</u>	<u>12,785</u>	<u>19,035</u>
Total Expenditures	<u>207,751</u>	<u>234,754</u>	<u>191,585</u>	<u>43,169</u>
Excess Revenues (Expenditures)	<u>\$ 49,625</u>	<u>\$ 22,622</u>	140,920	<u>\$ 118,298</u>
Fund Balance – Beginning of Year			<u>239,935</u>	
Fund Balance – End of Year			<u>\$ 380,855</u>	

The Notes to Financial Statements are an integral part of this statement.