

**Rochester Hills Public Library**

**Financial Statements**

**December 31, 2021**



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**Rochester Hills Public Library**  
**List of Elected and Appointed Officials**  
**December 31, 2021**

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**Board of Trustees**

Robert Bonam	President
Madge Lawson	Vice-President
Anne Kucher	Secretary
Gregg Christenson	Treasurer
Charles Stouffer	Trustee
Suba Subbarao	Trustee



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## Independent Auditors' Report

Board of Trustees and Management  
Rochester Hills Public Library  
Rochester, Michigan

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the financial statements of the governmental activities and the major fund of the Rochester Hills Public Library, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Rochester Hills Public Library as of December 31, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

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

## **Auditors' 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 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.
- 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 the Rochester Hills Public Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rochester Hills Public 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, as identified in the table of contents, 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.

*Yeo & Yeo, P.C.*

Auburn Hills, MI  
April 26, 2022

**Rochester Hills Public Library  
Management's Discussion and Analysis  
December 31, 2021**

Our discussion and analysis of the Rochester Hills Public Library's (Library) financial performance provides an overview of the Library's financial activities for the year ended December 31, 2021 and should be read in conjunction with the Library's basic financial statements.

**Reporting Entity**

Rochester Hills Public Library was formed under Public Act 164 of 1877. The Library functions as a separate financial reporting entity from the City of Rochester Hills and is governed by a six-member Board of Trustees. The library provides various services to the residents of Rochester, Rochester Hills, and Oakland Township.

**Using the Annual Report**

The annual report consists of financial statements presenting both a fund-based view and a government-wide view of the Library.

The general fund columns present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. The general fund modified accrual basis financial statements provide detailed information about the Library's current financial resources. This information is important as it shows the stewardship of the Library's annual property tax, service contract, and other revenue.

The government-wide columns provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. This longer-term view uses the accrual basis of accounting so that it can measure the true cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing the Library services. The Library's full accrual basis financial statements present information about the Library's total economic resources, including long-lived assets and long-term obligations. This information is important as it recognizes the long-term ramification of decisions made by the Library on an ongoing basis.

**Financial Highlights**

The following table shows the current year's net position compared to the prior year:

**Condensed Statement of Net Position**

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Assets:</b>		
Cash and investments	\$ 2,389,017	\$ 2,870,876
Taxes receivable and other assets	2,949,366	1,751,601
Capital assets	<u>9,971,452</u>	<u>10,342,183</u>
Total assets	<u>15,309,835</u>	<u>14,964,660</u>
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	113,091	62,739
Unearned revenue	-	466,862
Accumulated employee benefits	<u>174,747</u>	<u>178,488</u>
Total liabilities	<u>287,838</u>	<u>708,089</u>
<b>Deferred inflow of resources:</b>		
Property taxes levied for a subsequent period	<u>3,385,121</u>	<u>2,833,500</u>
<b>Net position:</b>		
Invested in capital assets	9,971,452	10,342,183
Restricted	7,819	8,204
Unrestricted	<u>1,657,605</u>	<u>1,072,684</u>
Total net position	<u>\$ 11,636,876</u>	<u>\$ 11,423,071</u>

Taxes receivable related to the 2021 tax levy, which will be recorded as revenue during 2022.

Unearned revenue relates to service contract revenues received, but not earned as of December 31, 2021.

Total net position increased by approximately \$214,000 during the year ended December 31, 2021, or approximately 1.9%, primarily as a result of increased property taxes levied and decreases in expenditures. Also

**Rochester Hills Public Library  
Management's Discussion and Analysis  
December 31, 2021**

the unearned revenues from the prior year were earned and recognized in the current year which decreased total liabilities. In addition, depreciation on capital assets continued to exceed additions to capital assets during the year.

The following table shows the current year's changes in the net position compared to the prior year:

**Condensed Statement of Activities**

	December 31	
	2021	2020
Revenues:		
Property taxes and service contracts	\$ 4,262,981	\$ 4,138,075
Other revenues	671,385	896,289
Total revenues	<u>4,934,366</u>	<u>5,034,364</u>
Expenses:		
Personnel, professional, and contractual services	2,781,087	2,960,091
Other expenses	746,718	580,402
Depreciation	1,192,756	1,163,143
Total expenses	<u>4,720,561</u>	<u>4,703,636</u>
Change in net position	213,805	330,728
Net position:		
Net position at beginning of year	<u>11,423,071</u>	<u>11,092,343</u>
Net position at end of year	<u>\$ 11,636,876</u>	<u>\$ 11,423,071</u>

The Library's total revenue decreased by approximately \$100,000 during the current year, or approximately 2.0% primarily as a result of a decrease in other revenues received during the year which are dependent on services and fees. Total expenses increased by approximately \$17,000 during the current year, or less than 1%. The Library saw reductions in staffing and hours worked during the fiscal year, as well as reductions in other expenses due to COVID-19 restrictions imposed by the State of Michigan.

**Fund Financial Statements**

The Library has one fund, the general fund, which accounts for all of the day-to-day operations and any capital and maintenance activities.

Operations of the general fund are financed by revenue from local property taxes, service contracts, fines and fees, state aid, and other resources.

The most significant expenditures of the general fund are personnel and related expenditures, library materials and programs, and capital outlay and maintenance expenditures.

**Budgetary Highlights**

Property taxes and service contracts, combined, came in over the amended budget (a favorable variance) by approximately \$4,300. Total revenue from all sources was over the amended budget (a favorable variance) by approximately \$106,000.

Total expenditures were under the final budget (a favorable variance) by approximately \$475,000, related to various categories of expenditures. Therefore, the change in fund balance was favorable compared to the amended amount budgeted by approximately \$581,000. The original budget was amended during the year.

**Capital Asset and Debt Administration**

During 2021, the Library accumulated additions to capital assets in the amount of approximately \$822,000 primarily for collection materials, and other upgrades. It is the Library's intent to fund maintenance and capital activities without issuing debt.

**Economic Factors and Next Year's Budget**

The tax base of southeastern Michigan generally is experiencing growth. It is estimated that property tax revenue for 2022 will increase compared to the 2021 fiscal year. Considering that property taxes and service contracts made up approximately 86% of the Library's revenue, this continues to impact the Library.

**Rochester Hills Public Library  
Management's Discussion and Analysis  
December 31, 2021**

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The COVID-19 pandemic began in March 2020 in the United States. The virus continued to spread throughout the state, as well as the world in the remainder of the 2020 year and it is still prevalent in 2022. The pandemic has caused and will likely continue to cause reductions to in-person services offered at the Library location. The reduction on in-person services affects certain revenue streams and expenditures.

The Library continues to monitor and control expenditures, as well as seek out additional revenue sources (grants and other), if appropriate. The Library will continue to monitor and evaluate its financial position and make adjustments to operations and the budget as needed.

**Contacting the Library's Management**

This financial report is intended to provide our citizens, taxpayers, patrons, and donors with a general overview of the Library's finances and to show the Library's accountability for the public's resources. If there are any questions about this report or additional information is needed, please contact the Library Director at 500 Olde Towne Road, Rochester, Michigan 48307, or visit the Library's website at [www.rhpl.org](http://www.rhpl.org).

**Rochester Hills Public Library**  
**Governmental Funds Balance Sheet / Statement of Net Position**  
**December 31, 2021**

	General Fund Modified <u>Accrual Basis</u>	<u>Adjustments</u>	Statement of <u>Net Position</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,785,508	\$ -	\$ 1,785,508
Investments	603,509	-	603,509
Taxes receivable	2,902,800	-	2,902,800
Prepaid items	46,566	-	46,566
Capital assets not being depreciated	-	3,064,297	3,064,297
Capital assets, net of accumulated depreciation	<u>-</u>	<u>6,907,155</u>	<u>6,907,155</u>
 Total assets	 <u>\$ 5,338,383</u>	 <u>\$ 9,971,452</u>	 <u>\$ 15,309,835</u>
<b>Liabilities</b>			
Accounts payable	\$ 71,104	\$ -	\$ 71,104
Accrued and other liabilities	41,987	-	41,987
Accumulated employee benefits, due within one year	-	25,248	25,248
Accumulated employee benefits, due in more than one year	<u>-</u>	<u>149,499</u>	<u>149,499</u>
Total liabilities	<u>113,091</u>	<u>174,747</u>	<u>287,838</u>
<b>Deferred Inflows of Resources</b>			
Property taxes levied for a subsequent period	<u>3,385,121</u>	<u>-</u>	<u>3,385,121</u>
<b>Fund Balances and Net Position</b>			
Net investment in capital assets	-	9,971,452	9,971,452
Non-spendable for prepaid items	46,566	(46,566)	-
Restricted for donor-restricted purposes	7,819	-	7,819
Unassigned	<u>1,785,786</u>	<u>(128,181)</u>	<u>1,657,605</u>
 Total fund balances / net position	 <u>1,840,171</u>	 <u>9,796,705</u>	 <u>11,636,876</u>
 Total liabilities, deferred inflows of resources, and fund balances / net position	 <u>\$ 5,338,383</u>	 <u>\$ 9,971,452</u>	 <u>\$ 15,309,835</u>

See Accompanying Notes to the Financial Statements

**Rochester Hills Public Library**  
**Statement of Revenues, Expenditures and Changes in Fund Balances / Statement of Activities**  
**For the Year Ended December 31, 2021**

	General Fund Modified Accrual Basis	Adjustments	Statement of Activities
<b>Revenues</b>			
Property taxes	\$ 2,867,807	\$ -	\$ 2,867,807
Charges for services	1,395,174	-	1,395,174
Penal fines	177,430	-	177,430
Fines and fees	54,872	-	54,872
Intergovernmental revenue - county	154,021	-	154,021
State aid	128,224	-	128,224
Grants	5,000	-	5,000
Investment income (loss)	(7,350)	-	(7,350)
Gifts	154,675	-	154,675
Other revenue	4,513	-	4,513
	<u>4,934,366</u>	<u>-</u>	<u>4,934,366</u>
<b>Expenditures</b>			
Personnel	2,784,828	(3,741)	2,781,087
Library materials	711,295	(711,295)	-
Facilities and equipment	621,867	(110,730)	511,137
Professional and contractual services	65,310	-	65,310
Library programs	26,957	-	26,957
Other operating expenditures	143,314	-	143,314
Depreciation	-	1,192,756	1,192,756
	<u>4,353,571</u>	<u>366,990</u>	<u>4,720,561</u>
Excess (deficiency) of revenues over expenditures	580,795	(366,990)	213,805
Fund balance / net position - beginning of year	<u>1,259,376</u>	<u>10,163,695</u>	<u>11,423,071</u>
Fund balance / net position - end of year	<u>\$ 1,840,171</u>	<u>\$ 9,796,705</u>	<u>\$ 11,636,876</u>

See Accompanying Notes to the Financial Statements

**Rochester Hills Public Library**  
**Notes to the Financial Statements**  
**December 31, 2021**

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**Note 1 - Summary of Significant Accounting Policies**

**Reporting entity**

The Rochester Hills Public Library was formed under Public Act 164 of 1877. The Library functions as a separate financial operating entity from the City of Rochester Hills and is governed by a six member Board of Trustees. The Library provides various services to the residents of Rochester, Rochester Hills, and Oakland Township.

In evaluating how to define the Library for financial reporting purposes, management has considered all potential component units. The decision to include or not include a potential component unit in the reporting entity was made by applying the criteria set forth in the accounting principles generally accepted in the United States of America, currently GASB Statement No. 14, The Financial Reporting Entity and GASB Statement No. 39, Determining Whether Certain Organizations are Component Units.

Based upon the application of the criteria, the government-wide financial statements of the Library contain all the funds controlled by the Library's Board of Trustees (Library Board) as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the Library.

**Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net position includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net position is reported in three components: invested in

capital assets; restricted for donor-restricted purposes; and unrestricted net position.

**Measurement focus, basis of accounting, and financial statement presentation**

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 basic financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's General Fund).

Property taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

The Library reports the following major governmental fund:

The General Fund is the Library's primary operating fund. It accounts for all financial resources of the general government.

**Assets, liabilities, and net position or equity**

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

**Rochester Hills Public Library**  
**Notes to the Financial Statements**  
**December 31, 2021**

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Property tax revenue – Property taxes are levied on December 1 on the taxable valuation of property of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Library's 2020 ad valorem tax is levied and collectible on December 1, 2020 and is recognized as revenue in the year ended December 31, 2021 when the proceeds of the levy are budgeted and available for the financing of operations. The Library's 2021 ad valorem tax is levied and collectible on December 1, 2021, but will not be recognized as revenue until 2022.

The 2020 taxable valuation of the City of Rochester Hills totaled \$3.785 billion, on which ad valorem taxes levied consisted of 0.7478 mills for operating purposes. This resulted in approximately \$2.9 million for operations.

Service contract revenue – The Library also services the City of Rochester and Oakland Township under separate operating agreements. The fee for this service is produced by each municipality levying one mill, annually adjusted down to 0.6881 mills in 2021 for the City of Rochester and 0.5924 mills in 2021 for Oakland Township for the Headlee Amendment reduction factor.

Prepaid items – Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the Library follows the consumption method, and they therefore are capitalized as prepaid items in both government-wide and fund financial statements.

Capital assets – Capital assets are defined by the Library as assets with an initial cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the Library values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings, additions and improvements	5 to 40 years
Furniture and fixtures	5 to 8 years
Library equipment	3 to 10 years
Vehicles	10 years
Library materials	4 years

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

Compensated absences – It is the Library's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the Library that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. The

**Rochester Hills Public Library**  
**Notes to the Financial Statements**  
**December 31, 2021**

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Library has an item that qualifies for reporting in this category. The governmental fund reports unavailable revenues, which arise only under a modified accrual basis of accounting, from property taxes levied for a subsequent period. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, deferred inflows of resources are reported in the government-wide financial statements for property taxes levied during the year that were intended to finance future periods.

Fund Balance – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – assets that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts constrained on use imposed by the government's highest level of decision-making, its Library Board. A fund balance commitment may be established, modified, or rescinded by a resolution of the Library Board.

Assigned – amounts intended to be used for specific purposes, as determined by the Library Board.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Library's policy is to consider restricted funds spent first.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Upcoming Accounting and Reporting Changes**

Statement No. 87, *Leases* increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The requirements of this Statement are effective for the fiscal year ending December 31, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and

**Rochester Hills Public Library**  
**Notes to the Financial Statements**  
**December 31, 2021**

requirements for note disclosures related to a SBITA. This statement is effective for the year ending December 31, 2023.

The Library is evaluating the impact that the above GASB statements will have on its financial reporting.

**Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary information**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund. This budget is developed by the Library Director and approved by the Library Board as are any amendments to the budget. All appropriations lapse at fiscal year end. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

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

1. Prior to May 1, Library Managers submit budgetary requests for the next fiscal year. The Library Director obtains income information from the City of Rochester Hills and verifies this information with the City Treasurer's office.
2. The Library Director presents a draft budget to the Library Board's Finance Committee in June.
3. The proposed budget is presented to the full Library Board for discussion in July.

4. A public hearing is advertised at least 10 days in advance, which is held in August. The Library Board legally adopts the budget at the total revenue and expenditure level in August by passing a budget resolution. The Library Director is authorized to transfer budgeted amounts within budgetary activities. However, any revisions that alter the total expenditures of any budgetary activity must be approved by the Library Board.

5. The Library Director forwards a copy of the budget resolution to the City of Rochester Hills.

**Note 3 - Deposits and Investments**

At year end the Library's deposits and investments were reported in the financial statements in the following categories:

Cash and cash equivalents	\$ 1,785,508
Investments	<u>603,509</u>
Total	<u>\$ 2,389,017</u>

The breakdown between deposits and investments is as follows:

Bank deposits (checking and savings accounts, money markets)	\$ 1,861,501
Investments in securities, mutual funds and similar vehicles	<u>527,516</u>
Total	<u>\$ 2,389,017</u>

As of year end, the Library had the following investments:

Investment	Carrying Value	Maturities	Rating	Organization
Fixed income mutual funds	<u>\$ -</u>	< 1 year	N/A	N/A

**Rochester Hills Public Library**  
**Notes to the Financial Statements**  
**December 31, 2021**

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*Interest rate risk* – The risk that the value of investments will decrease as a result of a rise in interest rates. The Library’s investment policy does not specifically address interest rate risk. The Library’s policy minimizes interest rate risk by structuring the investment portfolio so that maturity dates coincide, as nearly as possible, with the expected use of the funds.

*Credit risk* – The risk that an issuer of or a counterparty to an investment will not fulfill its obligations. The Library’s investments are limited by those authorized under Public Act 20 of 1943 (as amended) for custodial credit risk. The Library also has investment policy stating all financial institutions used as depository by the Library must maintain a principal office or branch office located in Michigan, further limiting its investment choices. The Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

*Concentration of credit risk* – Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Library’s policy minimizes concentration of credit risk by requiring diversification of the investment portfolio by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

*Custodial credit risk - deposits* – In the case of deposits, this is the risk that in the event of bank failure, the Library’s deposits may not be returned to it. The Library does not have a policy for custodial credit risk. As of year end, \$1,414,836 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Note 4 - Fair Value Measurements**

The Library categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting

principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

As of December 31, 2021 the Library’s investments were all in mutual funds which are considered Level 1 in the Fair Value Measurement.

**Note 5 - Receivables**

Receivables as of year-end were related to property taxes amounting to \$ 2,902,800.

**Note 6 - Deferred Inflows of Resources**

At year end the deferred inflows of resources were related to property taxes levied for a subsequent period amounting to \$ 3,385,121.

**Rochester Hills Public Library**  
**Notes to the Financial Statements**  
**December 31, 2021**

**Note 7 - Capital Assets**

Capital assets activity of the Library for the current year is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 3,000,000	\$ -	\$ -	\$ 3,000,000
Construction-in-progress	-	64,297	-	64,297
Total capital assets not being depreciated	<u>3,000,000</u>	<u>64,297</u>	<u>-</u>	<u>3,064,297</u>
Capital assets being depreciated				
Library equipment	875,187	22,337	90,110	807,414
Furniture and fixtures	418,403	8,392	9,894	416,901
Buildings, additions and improvements	13,464,058	15,704	-	13,479,762
Library materials	5,687,743	711,295	-	6,399,038
Vehicles	37,800	-	-	37,800
Total capital assets being depreciated	<u>20,483,191</u>	<u>757,728</u>	<u>100,004</u>	<u>21,140,915</u>
Less accumulated depreciation	<u>13,141,008</u>	<u>1,192,756</u>	<u>100,004</u>	<u>14,233,760</u>
Net capital assets being depreciated	<u>7,342,183</u>	<u>(435,028)</u>	<u>-</u>	<u>6,907,155</u>
Governmental activities capital assets, net	<u>\$ 10,342,183</u>	<u>\$ (370,731)</u>	<u>\$ -</u>	<u>\$ 9,971,452</u>

**Note 8 - Construction Commitments**

As of December 31, 2021, the Library had the following construction commitments:

Project	Total contract	Amount incurred to date	Remining construction commitment at year end
Parking lot improvements	<u>\$ 573,610</u>	<u>\$ 41,176</u>	<u>\$ 532,434</u>

All projects are expected to be completed during the 2022 year.

**Note 9 - Long-term debt**

Long-term debt obligations are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	<u>\$ 178,488</u>	<u>\$ 25,248</u>	<u>\$ 28,989</u>	<u>\$ 174,747</u>	<u>\$ 25,248</u>

Compensated absences represent the estimated liability to be paid to employees under the Library's sick and vacation pay policy. Under the Library's policy, employees earn sick and vacation time based on length of service with the Library

**Note 10 - Defined Contribution Plan**

The Library participates in the MERS defined contribution (DC) program. The Library's Board of Trustees has authority over the plan provisions and contribution requirements. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All salaried employees are eligible to participate in the plan after six months of employment. As established by the plan, the Library contributes 6% of annual compensation, which resulted in total contributions of \$94,639 in 2021. Employees are fully vested in the plan after three years of service. There were 37 members participating in the DC plan as of December 31, 2021.

**Note 11 - Deferred Compensation Plan**

The Library has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Library employees, permits them to defer a portion of their salary for future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. There are no employer contributions required by the plan. The assets of the plan are insulated from the unit of Library's general creditors. The Library's plan

**Rochester Hills Public Library**  
**Notes to the Financial Statements**  
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administrator, MERS, created the trust and placed the assets of the plan within the trust. As a result, the plan assets are not reported in the Library's financial statements.

**Note 12 - Assets Held at Community Foundation**

There is one endowment fund administered by the Community Foundation of Greater Rochester (CFGR) for the benefit of the Library. The CFGR is a public charity that is funded through donations by a large number of contributors. Although the Library does not control the assets held at the CFGR, by agreement, the purpose of the endowment fund is to provide support and furtherance of specific programs and activities of Rochester Hills Public Library. Accordingly, the Library has not recorded these assets in its financial statements. Revenue is recorded when distributions are received from the CFGR.

A summary of changes in assets held at the CFGR is as follows:

Balance - January 1, 2021	\$ 362,526
Contributions	1,870
Fees charged	(9,884)
Investment earnings	<u>48,642</u>
Balance - December 31, 2021	<u>\$ 403,154</u>

The Library cannot withdraw the principal of the contributions, but is entitled to withdraw accumulated investment earnings such as interest, dividends, and cumulative net investment gains and losses. As of December 31, 2021, the amount available to the Library approximated \$176,000.

**Note 13 - Tax Abatements**

The Library is subject to tax abatements granted by the City of Rochester Hills through the Payment in Lieu of Taxes (PILOT) and Industrial Facilities Tax (IFT) exemption programs. The amount of taxes abated under these programs in 2021 was immaterial.

**Note 14 - Reconciliation of Fund Financial Statements to Government-wide Financial Statements**

Total fund balance and the net change in fund balance of the Library's governmental fund differs from net position and changes in net position of the governmental activities reported in the statement of net position and statement of activities. This difference primarily results from the long-term economic focus of the statement of net position and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures and changes in fund balance. The following are reconciliations of fund balance to net position and the net change in fund balance to the net change in net position:

Total Fund Balance - Modified Accrual Basis	\$ 1,840,171
Amounts report in the statement of net position are different because:	
Capital assets are not financial resources and are not reported in the fund	9,971,452
Compensated absences are included as a liability	<u>(174,747)</u>
Net Position - Governmental Activities - Full Accrual Basis	<u>\$ 11,636,876</u>
Net Change in Fund Balance - Modified Accrual Basic	\$ 580,795
Amounts reported in the statement of activities are different because:	
Capital outlays are reported as expenditures in the statement of revenues, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated lives as depreciation	
Capital outlay	822,025
Depreciation	(1,192,756)
Changes in accrual for accumulated employee benefits reported in the statement of activities, but not in the fund statements	<u>3,741</u>
Change in Net Position - Governmental Activities - Full Accrual Basis	<u>\$ 213,805</u>

**Rochester Hills Public Library**  
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**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended December 31, 2021**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
<b>Revenues</b>				
Property taxes	\$ 2,833,500	\$ 2,833,500	\$ 2,867,807	\$ 34,307
Charges for services	1,385,800	1,385,800	1,395,174	9,374
Fines and fees	46,000	46,000	54,872	8,872
Internal governmental revenue - county	284,400	284,400	331,451	47,051
State aid	57,900	57,900	128,224	70,324
Grants	29,000	29,000	5,000	(24,000)
Investment income (loss)	12,000	12,000	(7,350)	(19,350)
Gifts	180,000	180,000	154,675	(25,325)
Other revenue	-	-	4,513	4,513
<b>Total revenues</b>	<b>4,828,600</b>	<b>4,828,600</b>	<b>4,934,366</b>	<b>105,766</b>

**Rochester Hills Public Library**  
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**General Fund**  
**For the Year Ended December 31, 2021**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
<b>Expenditures</b>				
Personnel				
Salaries and wages	\$ 2,421,700	\$ 2,421,700	\$ 2,224,816	\$ (196,884)
Employee benefits	629,900	629,900	560,012	(69,888)
Total personnel	<u>3,051,600</u>	<u>3,051,600</u>	<u>2,784,828</u>	<u>(266,772)</u>
Library materials				
Books	325,000	325,000	285,209	(39,791)
Print subscriptions and electronic materials	315,100	315,100	293,380	(21,720)
Audiovisual	139,900	139,900	132,706	(7,194)
Total library materials	<u>780,000</u>	<u>780,000</u>	<u>711,295</u>	<u>(68,705)</u>
Facilities and equipment				
Equipment and capital improvements	190,000	190,000	114,532	(75,468)
Equipment maintenance	94,600	94,600	86,412	(8,188)
Facilities maintenance	216,700	216,700	211,649	(5,051)
Book mobile	25,000	25,000	12,448	(12,552)
Voice and data services	25,000	25,000	23,317	(1,683)
Utilities	136,200	136,200	154,877	18,677
Insurance	19,000	19,000	18,632	(368)
Total facilities and equipment	<u>706,500</u>	<u>706,500</u>	<u>621,867</u>	<u>(84,633)</u>
Professional and contractual services	<u>88,500</u>	<u>88,500</u>	<u>65,310</u>	<u>(23,190)</u>
Library programs	<u>54,000</u>	<u>54,000</u>	<u>26,957</u>	<u>(27,043)</u>
Other operating expenditures				
Oakland talking book service	13,660	13,660	2,113	(11,547)
Promotion and printing	42,500	42,500	47,623	5,123
Staff development	32,200	32,200	21,049	(11,151)
Supplies	28,500	28,500	19,779	(8,721)
Postage	25,000	25,000	34,006	9,006
Mileage	5,000	5,000	793	(4,207)
Gift and grant expenditures	-	-	16,891	16,891
Miscellaneous	1,140	1,140	1,060	(80)
Total other operating expenditures	<u>148,000</u>	<u>148,000</u>	<u>143,314</u>	<u>(4,686)</u>
Total expenditures	<u>4,828,600</u>	<u>4,828,600</u>	<u>4,353,571</u>	<u>(475,029)</u>
Excess of revenues over expenditures	-	-	580,795	580,795
Fund balance - beginning of year	<u>1,259,376</u>	<u>1,259,376</u>	<u>1,259,376</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,259,376</u>	<u>\$ 1,259,376</u>	<u>\$ 1,840,171</u>	<u>\$ 580,795</u>