

BELLEVILLE AREA DISTRICT LIBRARY
(formerly the FRED C. FISCHER Library)

**FINANCIAL REPORT
WITH
SUPPLEMENTARY INFORMATION**

JUNE 30, 2023

BELLEVILLE AREA DISTRICT LIBRARY

(formerly the Fred C. Fischer Library)

Contents

	<u>Page No.</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	12
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balance of Governmental Funds to the Statement of Activities	14
Notes to Financial Statements	15
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	24
Note to Required Supplemental Information	25



Alan C. Young & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740
Detroit, MI 48202

(313) 873-7500 (Tel.)
(313) 873-7502 (Fax)
www.alancyoung.com

INDEPENDENT AUDITOR'S REPORT

Members of the Belleville Area District Library Board
Belleville Area District Library
Belleville, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Belleville Area District Library (the Library) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, of the Library, as of June 30, 2023, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Library's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 of the Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for a reasonable period of time.

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

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 listed 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.

Alan L. Young, Assoc.

Detroit, Michigan
December 14, 2023

BELLEVILLE AREA DISTRICT LIBRARY

(formerly the Fred C. Fischer Library)

Management's Discussion and Analysis
June 30, 2023

Belleville Area District Library (the Library) management offers this narrative overview and analysis of the Library's financial activities and statements for the fiscal year ended June 30, 2023. This narrative is an overview of the financial health of the Library based on the information in the statements. This discussion is intended to be an objective, straightforward and understandable introduction to the Library's financial statements.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities of the Library as a whole present a longer-term view of the Library's finances. This longer-term view uses the accrual basis of accounting to demonstrate the cost of providing services during the current year and the degree to which the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view and demonstrate how the taxpayers' resources were spent during the year, as well as how much is available for future spending, on a modified accrual basis. The fund financial statements report the Library's operations in more detail than the government-wide financial statements by providing information about the Library's most significant funds.

Financial Highlights

The Library's new library building construction project is essentially complete, and during the fiscal year ended June 30, 2023, the remaining unspent construction funds were transferred to the library's debt service fund. To support the repayment of the project's 20-year bond issue of \$13,820,000 approved by the voters in November 2016, a debt service millage of 0.22 mills was authorized by the Library Board to be levied in Winter 2022. The library also levied two operating millages approved by the voters of 0.6864 mills and 0.75 mills. The additional operating millage of 0.75 levied on the Winter 2022 tax bill was rolled back by the Headlee Amendment (MCL 211.34d) to 0.7318 mills.

BELLEVILLE AREA DISTRICT LIBRARY

(formerly the Fred C. Fischer Library)

Management's Discussion and Analysis (Continued)
June 30, 2023

Statement of Net Position

The following table shows, in a condensed format, the Library's net position on a comparative basis as of June 30, 2023 and 2022:

	June 30, 2023	June 30, 2022	Change from 2023-2022
Assets			
Capital Assets	\$ 12,980,957	\$ 13,390,501	\$ (409,544)
Restricted Investments	-	613,872	(613,872)
Other Assets	6,087,912	5,525,852	562,060
Total Assets	19,068,869	19,530,225	(461,356)
Liabilities			
Current Liabilities	755,998	739,686	16,312
Bonds Payable, Net of Current Portion	10,337,472	10,958,816	(621,344)
Compensated Absences	90,278	83,209	7,069
Total Liabilities	11,183,748	11,781,711	(597,963)
Net Position			
Net Investment in Capital Assets	2,084,687	1,970,905	113,782
Restricted for Capital Projects and Debt Service	530,939	1,189,098	(658,159)
Restricted Building Contributions	459,387	459,387	-
Unrestricted	4,810,108	4,129,124	680,984
Total Net Position	\$ 7,885,121	\$ 7,748,514	\$ 136,607

BELLEVILLE AREA DISTRICT LIBRARY

(formerly the Fred C. Fischer Library)

Management's Discussion and Analysis (Continued) **June 30, 2023**

Statement of Activities

The following table shows, in a consolidated format, the Library's Statement of Activities on a comparative basis for the years ended June 30, 2023, and June 30, 2022:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Change from 2023-2022</u>
Revenue			
Property Taxes	\$ 2,764,148	\$ 3,112,744	\$ (348,596)
Library Fines and Fees	78,984	59,483	19,501
Other	53,117	57,620	(4,503)
Interest Income	19,813	2,589	17,224
Total Revenue	<u>2,916,062</u>	<u>3,232,436</u>	<u>(316,374)</u>
Expenses			
Salaries and Benefits	1,328,293	1,149,545	178,748
Depreciation	689,580	758,201	(68,621)
Other	761,582	732,013	29,569
Total Expenditures	<u>2,779,455</u>	<u>2,639,759</u>	<u>139,696</u>
Change in Net Position	<u>\$ 136,607</u>	<u>\$ 592,677</u>	<u>\$ (456,070)</u>

The Library's net position increased from June 30, 2022 to June 30, 2023 by approximately \$137 thousand primarily due to property tax revenue from operating mileages.

The property tax revenues for June 30, 2023, were generated by an operating millage of 0.6864 mills. Voters in the library service area authorized the Library to levy an additional 0.75 operating millage and a 0.22 debt service millage to support the issuance of bonds in the amount of \$13,820,000 to fund the construction of a new library. These millages were levied on the winter 2022 tax roll and recognized in the year ending June 30, 2023. The additional operating millage was reduced to 0.7318 mills under the Headlee rollback.

The Library's Funds

General Fund

For the fiscal year ended June 30, 2023, the General Fund revenues were in excess of expenditures by \$642,861. Actual revenues were higher than budget by \$142,412 and actual expenditures were less than budgeted expenditures by \$373,599. Per Board resolution, \$1,150,000 of the fund balance has been committed to cover the Library's 2023-2024 budget.

BELLEVILLE AREA DISTRICT LIBRARY

(formerly the Fred C. Fischer Library)

Management's Discussion and Analysis (Continued)
June 30, 2023

The Library's Funds (Continued)

Capital Projects Fund

During the fiscal year ended June 30, 2017, the Capital Projects Fund received \$13,820,000 of bond proceeds plus a premium from the bond sale of \$426,880. The bonds will be paid off over a twenty-year period. The bond proceeds were immediately invested and generated approximately \$18,000 of interest income for the year ended June 30, 2023. Capital outlay expenditures were approximately \$78,000. During the fiscal year ended June 30, 2023, the unspent Capital Projects Funds of \$ 732,078 were transferred into Debt Service Funds.

Debt Service Fund

For the fiscal year ended June 30, 2023, the Debt Service Fund had property tax revenue of \$384,364. Debt service payments of \$982,750 were made during the year.

Capital Assets and Debt Administration

During the year ended June 30, 2023, the Library purchased books and periodicals totaling \$184,452 which were added to the existing collection. In addition, property costing \$78,018 was purchased by the Capital Projects Fund in connection with the construction of a new library. The computers were purchased at a cost of \$17,566. Depreciation expense for the year was \$689,580.

At the end of 2023 the Library had approximately \$13 million in capital assets, including the Library building. The Library had long-term debt obligations of approximately \$10.7 million at June 30, 2023.

General Fund Budgetary Highlights

Over the course of the fiscal year ending June 30, 2023, the Library revised its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditure does not exceed appropriations. A schedule showing the Library's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

Budgeted revenues for the General Fund were increased by \$24,450 from the original budget, primarily due to increases in millage revenue and library fines & fees. Budgeted expenditures for the General Fund were increased by \$4,000. Total actual expenditures were \$373,599 under budget.

Economic Factors and Next Year's Budget

The library's operating tax levy of .6864 mills (rolled back by the Headlee Amendment to .6864) was authorized by the voters in August 2022. This millage restoration is no longer subject to tax capture pursuant to Public Act 57, Public Acts of Michigan, 2018, as amended, and the 2023-2024 General Fund budgeted tax revenue reflects this increase in the library's revenue.

BELLEVILLE AREA DISTRICT LIBRARY

(formerly the Fred C. Fischer Library)

Management's Discussion and Analysis (Continued)
June 30, 2023

Economic Factors and Next Year's Budget (Continued)

In 2016 voters in the library service area authorized the Library to incur \$13,820,000 in debt (total 20-year repayment with interest \$19,654,575) for the construction of a new library facility. The maximum number of years the bonds may be outstanding, exclusive of any refunding is twenty-one years.

The 2023-2024 Debt Service Fund reflects the anticipated 0.42 debt service millage to be received from the Winter 2023 tax roll plus the payment of interest and principal on the outstanding bonds due in November 2023 and May 2024.

Contacting the Library's Management

This financial report is intended to provide the citizens, taxpayers, customers, and investors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact Belleville Area District Library at 167 Fourth Street, Belleville, MI 48111.

BELLEVILLE AREA DISTRICT LIBRARY

(formerly the Fred C. Fischer Library)

Statement of Net Position June 30, 2023

	Governmental Funds
Assets	
Current Assets	
Cash & Cash Equivalents (Note 3)	\$ 6,020,838
Due From Other Governmental Units	49,864
Prepaid Expenses	17,210
Total Current Assets	<u>6,087,912</u>
Non-Current Assets	
Capital Assets - Net (Note 5)	12,980,957
Total Assets	<u><u>\$ 19,068,869</u></u>
Liabilities and Net Position	
Liabilities	
Current Liabilities	
Accounts Payable	\$ 25,319
Accrued Liabilities	45,593
Bonds Payable-Current Portion (Note 8)	600,000
Bond Premium-Current Portion (Note 8)	21,344
Accrued Interest payable	63,742
Total Current Liabilities	<u>755,998</u>
Non-Current Liabilities	
Bonds Payable (Note 8)	10,060,000
Bond Premiums (Note 8)	277,472
Compensated Absences Payable (Note 7)	90,278
Total Non-Current Liabilities	<u>10,427,750</u>
Total Liabilities	<u>11,183,748</u>
Net Position	
Net Investment in Capital Assets	2,084,687
Restricted for Debt Service	530,939
Restricted - Building Contributions	459,387
Unrestricted	4,810,108
Total Net Position	<u>7,885,121</u>
Total Liabilities and Net Position	<u><u>\$ 19,068,869</u></u>

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

BELLEVILLE AREA DISTRICT LIBRARY

(formerly the Fred C. Fischer Library)

Statement of Activities **Year Ended June 30, 2023**

	Program Revenue				Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions / Programs:					
Governmental Activities:					
Library	\$ 2,779,455	\$ -	\$ 6,317	\$ 2,831	\$ (2,770,307)
General Revenues:					
Property Taxes (Note 1)					2,764,148
State Aid					43,969
Library Fines and Fees					78,984
Interest					19,813
Total General Revenues					<u>2,906,914</u>
Change in Net Position					136,607
Net Position, Beginning of Year					<u>7,748,514</u>
Net Position, End of Year					<u>\$ 7,885,121</u>

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

BELLEVILLE AREA DISTRICT LIBRARY
(formerly the Fred C. Fischer Library)

Balance Sheet
Governmental Funds
June 30, 2023

	General	Capital Projects	Debt Service	Total
Assets				
Cash and Cash Equivalents (Note 3)	\$ 5,508,675	\$ -	\$ 512,163	\$ 6,020,838
Due from Other Governmental Units	49,864	-	-	49,864
Prepaid Expenses	17,210	-	-	17,210
Due from Other Funds (Note 9)	-	-	18,776	18,776
Total Assets	\$ 5,575,749	\$ -	\$ 530,939	\$ 6,106,688
Liabilities and Fund Balance				
Liabilities				
Accounts Payable	\$ 25,319	\$ -	\$ -	\$ 25,319
Accrued Liabilities	45,593	-	-	45,593
Due to Other Funds (Note 9)	18,776	-	-	18,776
Total Liabilities	89,688	-	-	89,688
Fund Balance				
Non-Spendable	17,210	-	-	17,210
Restricted	459,387	-	530,939	990,326
Committed for Working Capital	1,150,000	-	-	1,150,000
Undesignated	3,859,464	-	-	3,859,464
Total Fund Balance	5,486,061	-	530,939	6,017,000
Total Liabilities and Fund Balance	\$ 5,575,749	\$ -	\$ 530,939	\$ 6,106,688

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

BELLEVILLE AREA DISTRICT LIBRARY

(formerly the Fred C. Fischer Library)

Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities June 30, 2023

Total Fund Balance - Governmental Fund	\$ 6,017,000
---	---------------------

Amounts reported for governmental activities in the Statement of
Net Position are different because -

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the Governmental Funds
Balance Sheet

Capital Assets at Cost	16,476,133
Accumulated Depreciation	(3,495,176)

Long-term Liabilities are not due and payable in the current period
and therefore are not reported in governmental funds

Bonds Payable	(10,660,000)
Bond Premium	(298,816)
Compensated Absences Payable	(90,278)

Accrued interest is not reported in the governmental funds	<u>(63,742)</u>
--	-----------------

Total Net Position of Governmental Activities	<u>\$ 7,885,121</u>
--	----------------------------

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

BELLEVILLE AREA DISTRICT LIBRARY

(formerly the Fred C. Fischer Library)

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds June 30, 2023

	General Fund	Capital Projects	Debt Service	Total
Revenue				
Property Taxes	\$ 2,379,784	\$ -	\$ 384,364	\$ 2,764,148
Grant Revenue	6,317	-	-	6,317
State Aid	43,969	-	-	43,969
Local Library Fines and Fees	115,193	-	-	115,193
Contributions and Donations	2,831	-	-	2,831
Investment Income	1,568	18,245	-	19,813
Total Revenue	<u>2,549,662</u>	<u>18,245</u>	<u>384,364</u>	<u>2,952,271</u>
Expenditures				
Salaries	999,553	-	-	999,553
Benefits and FICA	321,671	-	-	321,671
Books	184,452	-	-	184,452
Supplies	36,626	-	-	36,626
Professional Fees	27,627	-	-	27,627
Dues	2,891	-	-	2,891
Contracted Services	92,630	-	-	92,630
Telephone	20,503	-	-	20,503
Insurance	15,470	-	-	15,470
Utilities	52,957	-	-	52,957
Repairs and Maintenance	70,165	-	-	70,165
Printing and Publications	16,391	-	-	16,391
Postage	9,729	-	-	9,729
Computer Hardware/Software	42,267	-	-	42,267
Miscellaneous	12,549	-	-	12,549
Capital Outlay	1,320	78,018	-	79,338
Debt Service	-	-	982,750	982,750
Total Expenditures	<u>1,906,801</u>	<u>78,018</u>	<u>982,750</u>	<u>2,967,569</u>
Excess (Deficiency) of Revenues Over Expenditures	642,861	(59,773)	(598,386)	(15,298)
Other Financing Sources (Uses) (Note 9)				
Transfer In	-	-	732,078	732,078
Transfer Out	-	(732,078)	-	(732,078)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(732,078)</u>	<u>732,078</u>	<u>-</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	642,861	(791,851)	133,692	(15,298)
Fund Balance - June 30, 2022	<u>4,843,200</u>	<u>791,851</u>	<u>397,247</u>	<u>6,032,298</u>
Fund Balance - June 30, 2023	<u>\$ 5,486,061</u>	<u>\$ -</u>	<u>\$ 530,939</u>	<u>\$ 6,017,000</u>

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

BELLEVILLE AREA DISTRICT LIBRARY

(formerly the Fred C. Fischer Library)

Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balance of Governmental Funds to the Statement of Activities June 30, 2023

Net Changes in Fund Balance - Total Governmental Funds	\$ (15,298)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their useful lives as depreciation	
Depreciation Expense	(689,580)
Capital Outlay	280,036
(Increase) Decrease in non-current liabilities for compensated absences payable is an expense in the Statement of Activities but is not an expenditure in the governmental funds	(7,069)
Revenue is recorded in the statement of activities when earned. It is not reported in the Funds until Collected or Collectible within 60 days of year end	(36,209)
Repayment of debt is an expense in the governmental funds but it reduces the debt in the statement of Net Position	580,000
Amortization of bond premiums reduces the debt liability in the statement of Net Position	21,344
Accrued interest on bonds is not recorded at the fund level, but is an expense in the Statement of Activities	3,383
Change in Net Position of Governmental Activities	\$ 136,607

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

BELLEVILLE AREA DISTRICT LIBRARY

(formerly the Fred C. Fischer Library)

Notes to Financial Statements
June 30, 2023

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Effective April 17, 2010, Belleville Area District Library (the "Library") (formerly known as the Fred C. Fischer Library) was established as a district library with a territory which is located in the jurisdictional limits of the City of Belleville, Van Buren Township, and Sumpter Township. Its purpose is to provide library services to the residents of all the participating communities.

Reporting Entity

The Library is governed by an elected seven-member board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. The Library utilizes a General Fund, a Capital Projects Fund and a Debt Service Fund to account for all its financial resources.

Basis of Accounting

The accounting policies of the Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

The following is a summary of the significant accounting policies:

The government-wide full accrual financial statements (the statement of net position and the statement of activities) are recorded using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes susceptible to accrual, that is, when it becomes both measurable and available. Revenue is considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Library's policy is to first apply restricted resources.

When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the Library's policy to spend funds in this order: committed, assigned, and unassigned.

BELLEVILLE AREA DISTRICT LIBRARY

(formerly the Fred C. Fischer Library)

Notes to Financial Statements (Continued)
June 30, 2023

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Library:

- a. **General Fund** is the general operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. **Capital Projects Fund** is used to record proceeds or other revenue and the disbursement of invoices specifically designated for construction of the new library building. The fund operates until the purpose for which it was created is accomplished.
- c. **Debt Service Funds** are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

Property Tax Revenue - Property taxes are levied on each December 1 on the taxable valuation of property included in the Library's district, as 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 2022 tax is levied and collectible on December 1, 2022 and is recognized as revenue in the year ended June 30, 2023, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2022 taxable valuation of the Library's district, which includes that of the City of Belleville, Sumpter Township, and Van Buren Township, totaled approximately \$1,738 million. A portion of that taxable value is captured by various tax increment financing districts. Taxes levied consisted of 1.4182 mills and resulted in a net Library levy of approximately \$2,375,000.

In addition, a tax levy of 0.22 mills was levied for debt service which resulted in a net levy of approximately \$384,400 recorded in the debt service fund.

Cash Equivalents - The Library considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Restricted Assets – Certain resources from the issuance of bonds are classified as restricted assets on the Statement of Net Position because their use is limited by applicable bond covenants.

Prepaid Expenses – Payments made to vendors for services that will benefit periods beyond June 30, 2023, are recorded as prepaid expenses.

BELLEVILLE AREA DISTRICT LIBRARY

(formerly the Fred C. Fischer Library)

Notes to Financial Statements (Continued)
June 30, 2023

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets - Capital assets owned by the Library, are reported in the statement of net position. Capital assets are defined by the Library as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. However, books and periodicals are identified by management at acquisition regardless of dollar amount and capitalized accordingly. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Books and Periodicals	5 to 15 years
Building Additions	30 years
Building Improvements	15 years
Computers	5 years

Compensated Absences (Vacation and Sick Leave) – It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide financial statements.

Deferred Outflows of Resources – In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of new position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The Library did not have any items that qualify for reporting in this category at June 30, 2023.

Deferred Inflows of Resources – In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Library did not have any items that qualify for reporting in this category at June 30, 2023.

Fund Equity – Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds.

BELLEVILLE AREA DISTRICT LIBRARY

(formerly the Fred C. Fischer Library)

Notes to Financial Statements (Continued)
June 30, 2023

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity (Continued)

Fund Equity is classified as net position and displayed in three components:

- (a) **Net Investment in Capital Assets** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (b) **Restricted** - Consists of net position with constraints placed on the use by: (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- (c) **Unrestricted** - All other net positions that does not meet the definition of "restricted" or "net investment in capital assets".

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

- **Nonspendable** - Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- **Restricted** - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- **Committed** - Amounts that have been formally set aside by the Library's board for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Library's board. On June 30, 2023, the Library has \$1,150,000 committed for 2023-24 expenses.
- **Assigned** - Intent to spend resources on specific purposes expressed by the Library's board.
- **Unassigned** – Amounts that do not fall into any other category above. This is the residual classification within the general fund.

Upcoming Accounting Pronouncement - In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Library's financial statements for the year ending June 30, 2025.

BELLEVILLE AREA DISTRICT LIBRARY

(formerly the Fred C. Fischer Library)

Notes to Financial Statements (Continued)
June 30, 2023

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and liabilities 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.

2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

For the fiscal year ended June 30, 2023, no expenditures exceeded appropriations.

3) DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. A local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library has designated three financial institutions for the deposit of its funds. The investment policy, adopted by the board effective April 17, 2010 and in accordance with Public Act 196 of 1997, has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of the state statutory authority as listed above. The Library's deposits and investment policies are in accordance with statutory authority.

Custodial Credit Risk

The Library's cash is subject to custodial credit risk of bank deposits. Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. At year end, the Library had total bank deposits of \$ 6,036,332, out of which \$5,786,332 were uninsured and uncollateralized. 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.

BELLEVILLE AREA DISTRICT LIBRARY

(formerly the Fred C. Fischer Library)

Notes to Financial Statements (Continued)
June 30, 2023

4) RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for employee injuries and participates in the Michigan Municipal Risk Management Authority risk pool (as a state pool member) for claims relating to loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority state pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

5) CAPITAL ASSETS

Capital asset activity of Belleville Area District Library's governmental activities is as follows:

	Balance 6/30/2022	Additions	Disposals	Balance 6/30/2023
Land	\$ 205,969	\$ -	\$ -	\$ 205,969
Building	12,344,175	76,866	-	12,421,041
Books and Periodicals	2,271,992	184,452	(140,362)	2,316,082
Furniture and Fixtures	1,132,830	1,152	-	1,133,982
Computers	381,493	17,566	-	399,059
Subtotal	16,336,459	280,036	(140,362)	16,476,133
Accumulated Depreciation:				
Building	867,322	413,829	-	1,281,151
Books and Periodicals	1,640,955	168,869	(140,362)	1,669,462
Furniture and Fixtures	166,178	75,560	-	241,738
Computers	271,503	31,322	-	302,825
Subtotal	2,945,958	689,580	(140,362)	3,495,176
Net Capital Assets	<u>\$ 13,390,501</u>	<u>\$ (409,544)</u>	<u>\$ -</u>	<u>\$ 12,980,957</u>

6) DEFINED CONTRIBUTION PENSION PLAN

The Library provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by board approval, the Library contributes 10 percent of employees' gross earnings, and employee contributions for each employee plus interest allocated to the employee's account are fully vested immediately. The Library's total payroll for the current period was \$999,553. The current period contribution was calculated based on covered payroll of \$656,970, resulting in an employer contribution of \$65,697 and employee contributions of \$32,849.

BELLEVILLE AREA DISTRICT LIBRARY

(formerly the Fred C. Fischer Library)

Notes to Financial Statements (Continued)
June 30, 2023

7) COMPENSATED ABSENCES

Compensated absences represent the library's liability for accrued sick and vacation time at June 30, 2023. This is a long-term liability and is therefore recorded only in the statement of net position, and not at the fund level. The balance for compensated absences payable was \$90,278 at June 30, 2023.

8) BONDS PAYABLE

On April 10, 2017, the Library sold \$13,820,000 of bonds to fund a new facility. The bond principal and interest is to be paid over a twenty-year period. The bond principal outstanding as of June 30, 2023 was \$10,660,000. The bonds carry an interest rate of 3.5%-4.0% and are repayable in the range of \$455,000-\$955,000 per year.

The bonds were issued with a premium of \$426,880. This will be amortized over the life of the bonds. The unamortized premium at June 30, 2023 was \$298,816.

The future maturities of the bonds are as follows:

Year	Principal	Interest	Total
2024	\$ 600,000	\$ 382,450	\$ 982,450
2025	620,000	361,450	981,450
2026	645,000	339,750	984,750
2027	665,000	317,175	982,175
2028	690,000	293,900	983,900
2029-33	3,835,000	1,089,575	4,924,575
2034-37	3,605,000	354,300	3,959,300
Total	<u>\$ 10,660,000</u>	<u>\$ 3,138,600</u>	<u>\$ 13,798,600</u>

9) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Fund Due To	Fund Due From	Amount
Debt Service	General Fund	\$ 18,776

Interfund balances are a result of a time lag between the dates goods and services are provided, transactions are recorded and payments between funds are made.

The balance due to the debt service fund relates to Wayne County property tax settlement payments related to debt service that were initially deposited in the general fund and transferred to the debt service fund subsequent to year-end.

Additionally, during the year, the unspent funds in the capital projects fund of \$732,078 were transferred to the debt service fund based on the completion of the new library building construction project.

BELLEVILLE AREA DISTRICT LIBRARY

(formerly the Fred C. Fischer Library)

Notes to Financial Statements (Continued)
June 30, 2023

10) LEASES

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires 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. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The Library has no leases required to be reported under the provisions of GASB 87.

11) ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

For the year ended June 30, 2023, the Library implemented the following new pronouncement: GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements* was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payment, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. There was no material impact on the Library's financial statements after the adoption of GASB Statement 96.

12) SUBSEQUENT EVENTS

Subsequent events were evaluated through December 14, 2023, which is the date the financial statements were available to be issued. No issues which could have a material effect on these financial statements have come to our attention.

REQUIRED SUPPLEMENTARY INFORMATION

BELLEVILLE AREA DISTRICT LIBRARY

(formerly the Fred C. Fischer Library)

Required Supplemental Information

Budgetary Comparison Schedule – General Fund

Year Ended June 30, 2023

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenue				
Property Taxes	\$ 2,265,000	\$ 2,300,000	\$ 2,379,784	\$ 79,784
Grant Revenue	7,200	6,300	6,317	17
State aid	40,000	43,000	43,969	969
Local Library Fines and Fees	66,600	53,750	115,193	61,443
Contributions and Donations	2,500	2,700	2,831	131
Interest Income	1,500	1,500	1,568	68
Total Revenue	2,382,800	2,407,250	2,549,662	142,412
Expenditures - Current				
Salaries	1,065,000	1,065,000	999,553	65,447
Benefits and FICA	329,300	333,300	321,671	11,629
Books	250,000	250,000	184,452	65,548
Supplies	50,000	50,000	36,626	13,374
Professional Fees	40,100	40,100	27,627	12,473
Dues	5,000	5,000	2,891	2,109
Contracted Services	125,000	125,000	92,630	32,370
Telephone	31,000	31,000	20,503	10,497
Insurance	38,000	38,000	15,470	22,530
Utilities	86,000	86,000	52,957	33,043
Repairs and Maintenance	85,000	85,000	70,165	14,835
Printing and Publications	24,000	24,000	16,391	7,609
Postage	12,000	12,000	9,729	2,271
Computer Hardware/Software	80,000	80,000	42,267	37,733
Bank Charges	1,000	1,000	-	1,000
Capital Outlay	25,000	25,000	1,320	23,680
Miscellaneous	30,000	30,000	12,549	17,451
Total Expenditures	2,276,400	2,280,400	1,906,801	373,599
Excess of Revenue Over Expenditures	106,400	126,850	642,861	516,011
Fund Balance - June 30, 2022			4,843,200	
Fund Balance - June 30, 2023			\$ 5,486,061	

BELLEVILLE AREA DISTRICT LIBRARY

(formerly the Fred C. Fischer Library)

Note to Required Supplementary Information
Year Ended June 30, 2023

1) BUDGETARY INFORMATION

The annual budget is prepared by the Library's director and submitted to the Library's board for its approval; subsequent amendments are also submitted to the Library's board for approval. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2023 has not been determined. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget as adopted by the participating communities' board or council and Belleville Area District Library is included in the required supplemental information.