

FIFE LAKE PUBLIC LIBRARY

FIFE LAKE, MICHIGAN

DECEMBER 31, 2023

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Library Board
Fife Lake Public Library
Grand Traverse County
Fife Lake, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Fife Lake Public Library, Grand Traverse County, Fife Lake Public, Michigan as of and for the year ended December 31, 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 the major fund of the Fife Lake Public Library, as of December 31, 2023, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fife Lake 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 Fife Lake 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fife Lake 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fife Lake 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 on pages 4-8 and 26 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2024, on our consideration of Fife Lake Public Library, Michigan’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fife Lake Public Library, Michigan’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fife Lake Public Library, Michigan’s internal control over financial reporting and compliance.

UHY LLP

Cadillac, Michigan
March 6, 2024

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED DECEMBER 31, 2023

The management of Fife Lake Public Library, Fife Lake, Michigan ("the Library") offers readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended December 31, 2023. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the Library's financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

- The assets of the Library exceeded its liabilities at the close of the most recent fiscal year by \$602,527 (*net position*). Of this amount, \$249,537 represents unrestricted net position, which may be used to meet the Library's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the Library's governmental funds reported an ending fund balance of \$249,537 a decrease of \$17,593 in comparison with the prior year. \$241,326 of fund balance is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of *nonspendable, committed, assigned, and unassigned* components of fund balance) for the general fund was \$249,537.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Fife Lake Public Library's basic financial statements. The Library's basic financial statements consist of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional details to support the basic financial statements themselves.

Government-Wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the Library's financial position, presented using a method of accounting that is similar to a private-sector business.

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

The *Statement of Activities* presents information showing how the Library's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods.

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

The government-wide financial statements can be found on pages 9-10 of this report.

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED DECEMBER 31, 2023

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. Fife Lake Public Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the 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 one governmental fund, the General Fund, which is considered to be a major fund. Information is presented in the governmental fund statement of revenue, expenditures, and changes in fund balance for the General Fund.

Fife Lake Public Library adopts an annual budget for the general fund. A budgetary comparison has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11-14 of this report.

Notes to Financial Statements

The notes to Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. The notes can be found on pages 15-25 of this report.

Other Information

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

Government-Wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of Fife Lake Public Library, assets exceeded liabilities by \$602,527, at the close of the most recent fiscal year.

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED DECEMBER 31, 2023

Fife Lake Public Library
Net Position as of December 31,

<u>Assets</u>	2023	2021
Current Assets	\$ 261,640	\$ 283,801
Non Current Assets	352,990	379,063
Total Assets	614,630	662,864
<u>Liabilities</u>		
Current Liabilities	12,103	11,126
<u>Net Position</u>		
Net Investment in Capital Assets	352,990	379,063
Unrestricted	249,537	272,675
Total Net Position	\$ 602,527	\$ 651,738

The most significant portion of the Library's net position represents its net investment in capital assets (e.g., furniture and fixtures, 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. The remaining balance of the Library's net position reflects unrestricted resources that may be used to meet the library's ongoing obligations to creditors and to provide services to citizens.

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

Fife Lake Public Library's overall net position decreased by \$27,428 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for the governmental activities.

Fife Lake Public Library
Change in Net Position
for the Year Ended December 31,

Revenues

	2023	2021
Program Revenues		
Operating Grants and Contributions	\$ 196,835	\$ 176,325
General Revenues		
State Sources	1,547	2,421
Interest	3,887	3,295
Other	5,876	4,546
Total Revenues	208,145	186,587

Expenses

Culture and Recreation	235,573	180,643
Changes in Net Position	(27,428)	5,944

NET POSITION - Beginning of Year

629,955 645,794

NET POSITION - End of Year

\$ 602,527 \$ 651,738

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED DECEMBER 31, 2023

Governmental Activities

During the current fiscal year, net position for the governmental activities decreased \$27,428 from the prior fiscal year for an ending balance of \$602,527. The most significant part of the revenue for all governmental activities of the Library comes from Traverse Area District Library. The Library's governmental activities expenses are dominated by culture and recreation expenditures, which make up 100% of the total.

Financial Analysis of the Governmental Funds

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

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

At December 31, 2023, the Library's governmental fund reported a fund balance of \$249,537, a decrease of \$17,593 in comparison with the prior year. \$241,236 constitutes *unassigned fund balance*, which is available for spending at the government's discretion, leaving \$2,785 as nonspendable and \$5,516 assigned for the 2024 budget shortfall.

General Fund – The General Fund is the main operating fund of the Library. The General Fund decreased its fund balance by \$17,593 which brings the fund balance to \$249,537. \$241,236 of the General Fund's fund balance is unassigned. The Library budgeted for spending of fund balance this year.

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</u> <u>BUDGET</u>	<u>FINAL</u> <u>BUDGET</u>	<u>ACTUAL</u>
Total Revenues	\$ 203,408	\$ 205,188	\$ 208,145
Total Expenditures	\$ 203,408	\$ 230,188	\$ 225,738

Original to final budget: The original revenue budget compared to final was very comparable, with minimal changes. The original expenditure budget was primarily increased to account for expenditures related to the building expansion project.

Final Budget compared to Actual Results: The final revenue budget was very comparable to actual results. The final expenditure budget was just under budget compared to the final amended budget due to spending less on the building expansion project by December 31, 2023.

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED DECEMBER 31, 2023

Capital Assets and Debt Administration

Capital Assets The Library's investment in capital assets for its governmental activities as of December 31, 2023, amounts to \$352,990 (net of accumulated depreciation).

Capital assets summarized below include any book collections and equipment purchased with a cost greater than \$1,000, buildings with a cost greater than \$10,000, improvements with a cost greater than \$2,500 and any Land purchases. Capital assets have a useful life greater than one year. Books and collections are added in aggregate by year. A summary of capital asset categories is illustrated below:

Fife Lake Public Library
Capital Assets as of December 31,

	2023	2021
Land	\$ 30,000	\$ 30,000
Construction in Progress	11,400	0
Books and Collection Items	59,830	67,775
Furniture and Fixtures	35,727	32,244
Building	506,532	506,532
Equipment	27,781	27,781
Total Assets	671,270	664,332
Less Accumulated Depreciation	(318,280)	(285,269)
Net Capital Assets	\$ 352,990	\$ 379,063

Major capital asset events during the fiscal year included the following:

- Books and Collection at a cost to the Library of \$8,973.
- Construction in progress related to the building expansion of \$11,400.
- Disposal of old books and collection items totaling \$14,368.

Economic Condition and Outlook

At the time that these financial statements were prepared and audited, the Library was aware of the following items that could significantly affect its financial health in the future. A significant portion of the Library's funding comes from the Traverse Area District Library. Any impairment to this funding source would greatly impact the future of the Library.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. If you have any questions about this report or need any additional information, contact the Fife Lake Public Library, 77 Lakecrest Lane, Fife Lake, MI 49633.

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

STATEMENT OF NET POSITION
DECEMBER 31, 2023

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 257,188
Due from Other Governments	1,667
Prepaid Expenses	<u>2,785</u>
 Total Current Assets	 <u>261,640</u>

NON CURRENT ASSETS

Capital Assets (Net of Accumulated Depreciation)	
Assets Being Depreciated	311,590
Assets Not Being Depreciated	<u>41,400</u>
 Total Non Current Assets	 <u>352,990</u>
 Total Assets	 <u>614,630</u>

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	3,361
Accrued Payroll	6,442
Accrued Payroll Liabilities	<u>2,300</u>
 Total Liabilities	 <u>12,103</u>

NET POSITION

Net Investment in Capital Assets	352,990
Unrestricted	<u>249,537</u>
 TOTAL NET POSITION	 <u>\$ 602,527</u>

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

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			GOVERNMENTAL ACTIVITIES	
GOVERNMENTAL ACTIVITIES	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION
Culture and Recreation	\$ 235,573	\$ 0	\$ 196,835	\$ 0	\$ (38,738)
<u>GENERAL REVENUES</u>					
State Sources					1,547
Interest					3,887
Other					5,876
Total General Revenues					11,310
Change in Net Position					(27,428)
<u>NET POSITION - Beginning of Year</u>					629,955
<u>NET POSITION - End of Year</u>					\$ 602,527

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

FIFE LAKE PUBLIC LIBRARY

FIFE LAKE, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2023

	<u>GENERAL FUND</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 257,188
Due from Other Governments	1,667
Prepaid Expenditures	<u>2,785</u>
 TOTAL ASSETS	 <u><u>\$ 261,640</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	
Accounts Payable	\$ 3,361
Accrued Payroll	6,442
Accrued Payroll Liabilities	<u>2,300</u>
 Total Liabilities	 <u>12,103</u>
 <u>FUND BALANCE</u>	
Nonspendable: Prepaid Expenditures	2,785
Assigned for 2024 Budget Shortfall	5,516
Unassigned	<u>241,236</u>
 Total Fund Balance	 <u>249,537</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 261,640</u></u>

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

FIFE LAKE PUBLIC LIBRARY

FIFE LAKE, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2023

Total Governmental Fund Balances	\$	249,537
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	\$	671,270
Accumulated depreciation is	(318,280)	352,990
		<hr/>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>602,527</u></u>

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

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2023

	<u>GENERAL FUND</u>
<u>REVENUES</u>	
State Grants	\$ 1,547
Contributions from Local Units	182,408
Fines and Forfeits	4,427
Charges for Services	10,000
Interest and Rents	3,887
Other Revenues	5,876
	<hr/>
Total Revenues	208,145
	<hr/>
<u>EXPENDITURES</u>	
Culture and Recreation	
Personnel Services	148,196
Supplies	4,852
Other Services and Charges	42,985
Capital Outlay	29,705
	<hr/>
Total Expenditures	225,738
	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	(17,593)
<u>FUND BALANCE</u> - Beginning of Year	267,130
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<u>FUND BALANCE</u> - End of Year	\$ 249,537
	<hr/> <hr/>

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

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

Net Change in Fund Balance	\$ (17,593)
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the Statement of Activities.
These costs are allocated over their estimated useful lives as depreciation.

Capital Outlay	20,373
Depreciation Expense	<u>(30,208)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (27,428)</u></u>
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The notes to the financial statements are an integral part of this statement.

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary governmental is financially accountable. Fife Lake Public Library does not have any *business-type activities*, *fiduciary activities* or *component units*.

B. Reporting Entity

Fife Lake Public Library is a public library established pursuant to Act 164 of the Public Acts. The Library provides library services primarily to residents in Grand Traverse County. The Library operates under an elected Board of Directors consisting of six members. Under the criteria established by accounting principles generally accepted in the United States of America, the Library has determined that there are no component units which should be included in its reporting entity.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on major governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fife Lake Public Library reports the following major governmental fund:

The *General Fund* is the primary operating fund of the Library. It accounts for all financial resources of the Library.

E. Measurement Focus and Basis of Accounting

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

FIFE LAKE PUBLIC LIBRARY
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

F. Budgetary Information

1. Budgetary Basis of Accounting

- Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year-end. Budgeted amounts presented are as originally adopted on December 14, 2022, or as amended by the Library Board from time to time throughout the year.
- The appropriated budget is prepared by fund and object. The Library Board exercises budgetary control over expenditures.
- Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Library because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

2. Excess of Expenditures Over Appropriations

	APPROPRIATIONS	EXPENDITURES
Culture and Recreation		
Personal Services		
Salaries and Wages	\$ 129,000	\$ 129,688
Payroll Taxes and Benefits	18,100	18,508
Supplies		
Office Supplies	3,310	4,852
Other Services and Charges		
Professional Fees	7,090	7,761
Contracted Services	10,000	10,577
Repairs and Maintenance	5,760	5,904
Miscellaneous	0	141
Capital Outlay		
Periodicals, Audio and Visual Materials	2,255	2,501

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

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

1. Cash and Cash Equivalents

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

2. Investments

The Library's investment policy is in compliance with state law and authorizes the Library to invest in passbook savings accounts, certificates of deposit, and money market funds. The Library does not have any investments other than interest bearing bank accounts.

The Investment Policy adopted by the Library states that the Library is limited to investments authorized by PA 20 of 1943, as amended, and may invest in the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution. Authorized depositories shall be designated by the Fife Lake Public Library Board at the Board's organizational meeting after each regular election of board members.
- (c) Commercial paper rated at the time of purchase within the two highest classifications established by not more than 270 days after the date of purchase.

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

- (d) Repurchase agreements consisting of instruments listed in subdivision (a).
- (e) Bankers' acceptances of United States banks.
- (f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated investment grade by not less than one standard rating service.
- (g) Mutual funds registered under the Investment Company Act of 1940, title I of chapter 686, 54 Stat. 789 15 U.S.C. 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by the Library. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - (i) The purchase of securities on a when issued or delayed delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- (h) Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967.
- (i) Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- (j) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.

3. Inventories and Prepaid Items

Inventories are not significant and are expensed as acquired. There were no material inventories at year-end.

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

4. Capital Assets

Capital assets, which include property, plant, equipment, and books, are reported in the applicable columns in the government-wide financial statements. The Library's policy is to capitalize all assets with an individual cost of \$1,000 or more for book collections, equipment and machinery, \$10,000 for buildings and \$2,500 for improvements and over a one-year useful life. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value on the date received.

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The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

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

<u>ASSETS</u>	<u>YEARS</u>
Books and Collection Items	5
Furniture and Fixtures	7
Equipment	5
Leasehold Improvements	20
Buildings	40

5. *Unearned Revenue*

Unearned revenue arises when resources are received by the Library before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The Library does not have any unearned revenue at December 31, 2023.

6. *Deferred Outflows/Inflows 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Library does not have any deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Library does not have any deferred inflows of resources.

7. *Net Position Flow Assumption*

Sometimes the Library will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. 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 Library’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

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FIFE LAKE, MICHIGAN

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8. *Fund Balance Flow Assumptions*

Sometimes the Library 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 Library's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. *Fund Balance Policies*

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Library's highest level of decision-making authority. The governing Board is the highest level of decision-making authority for the Library that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

10. *Use of Estimates*

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

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H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Contributions from Local Government Revenue

Traverse Area District Library (TADL) provides an amount based on property taxes that TADL collects. Fife Lake Public Library entered into an associate library agreement with the District Library to provide enhanced services. Revenue for the fiscal year ended December 31, 2023, was \$180,408.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note I.F. 2, on the excess of expenditures over appropriations describes a budgetary violation that occurred for the year ended December 31, 2023.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

As of December 31, 2023, the Library had deposits subject to the following risks:

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of December 31, 2023, none of the Library's bank balance of \$258,746 was exposed to custodial credit risk because it was insured and collateralized. As of December 31, 2023, deposits of \$257,188 are reported on the financial statements as cash and cash equivalents.

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

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs).

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

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

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 not 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.

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B. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 30,000	\$ 0	\$ 0	\$ 30,000
Construction in Progress	0	11,400	0	11,400
Capital Assets, Not Being Depreciated	<u>30,000</u>	<u>11,400</u>	<u>0</u>	<u>41,400</u>
Capital Assets, Being Depreciated				
Books and Collection Items	65,225	8,973	14,368	59,830
Furniture and Fixtures	35,727	0	0	35,727
Building	506,532	0	0	506,532
Equipment	27,781	0	0	27,781
Total Capital Assets, Being Depreciated	<u>635,265</u>	<u>8,973</u>	<u>14,368</u>	<u>629,870</u>
Less Accumulated Depreciation for:				
Books and Collection Items	39,714	12,924	14,368	38,270
Furniture and Fixtures	28,627	1,294	0	29,921
Building	210,441	12,663	0	223,104
Equipment	23,658	3,327	0	26,985
Total Accumulated Depreciation	<u>302,440</u>	<u>30,208</u>	<u>14,368</u>	<u>318,280</u>
Total Capital Assets, Being Depreciated, Net	<u>332,825</u>	<u>(21,235)</u>	<u>0</u>	<u>311,590</u>
Net Capital Assets Per Statement of Net Position	<u>\$ 362,825</u>	<u>\$ (9,835)</u>	<u>\$ 0</u>	<u>\$ 352,990</u>

Depreciation for the fiscal year-end December 31, 2023, amounted to \$30,208.

IV. OTHER INFORMATION

A. Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required, and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the Library.

B. Risk Management

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

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

C. Retirement Benefits

In October 2021, the Library joined in the Municipal Employees Retirement System of Michigan (MERS), a MERS 457 plan. All employees are eligible to participate in the plan. Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Library Board. The MERS 457 plan is an employee self-directed account in which employees choose a portion of their salary to be contributed. There is no required employer contribution, however, the Library contributions for the year were \$4,051. During the year ended December 31, 2023, employee contributions were \$6,437. Total wages for the year were \$131,648 and covered wages were \$121,305.

D. Related Parties

The Library Board approved a contract with one of the board members spouses for design services related to the building expansion project totaling \$8,100.

E. GASB Statement No. 87 – Leases

It has been determined that the Library has leases as defined by GASB Statement No. 87. However, the total of these leases has been determined they are not significant enough to warrant disclosure.

F. New Accounting Pronouncement - GASB Statement No. 96 – Subscription-based Information Technology Arrangements

It has been determined that the Library does not have any subscription-based information technology arrangements as defined by GASB Statement No. 96. There were no changes related to the adoption of this standard.

G. Upcoming Accounting Pronouncements

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Library is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024 fiscal year.

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In June 2022, the GASB issued Statement No. 101, Compensated Absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Library is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025 fiscal year.

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED DECEMBER 31, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
State Grants	\$ 1,500	\$ 1,500	\$ 1,547
Contributions from Local Units	181,408	181,408	182,408
Fines and Forfeits	4,100	4,100	4,427
Charges for Services	10,000	10,000	10,000
Interest and Rents	2,300	2,300	3,887
Other Revenues	4,100	5,880	5,876
	<hr/>		
Total Revenues	203,408	205,188	208,145
<hr/>			
<u>EXPENDITURES</u>			
Culture and Recreation			
Personnel Services			
Salaries and Wages	129,000	129,000	129,688
Payroll Taxes and Benefits	18,100	18,100	18,508
Supplies			
Office Supplies	2,400	3,310	4,852
Other Services and Charges			
Professional Fees	7,000	7,090	7,761
Contracted Services	10,000	10,000	10,577
Insurance	3,700	4,440	4,236
Membership and Dues	1,800	1,800	1,553
Repairs and Maintenance	6,500	5,760	5,904
Travel	200	200	196
Utilities	7,600	7,600	7,423
Workshops and Conferences	1,000	1,000	0
Program Expenses	2,843	5,423	5,194
Miscellaneous	0	0	141
Capital Outlay			
Books	10,300	9,210	8,973
Periodicals, Audio and Visual Materials	2,965	2,255	2,501
Building Expansion Project	0	25,000	18,231
	<hr/>		
Total Expenditures	203,408	230,188	225,738
	<hr/>		
Excess (Deficiency) of Revenues Over Expenditures	0	(25,000)	(17,593)
	<hr/>		
<u>FUND BALANCE - Beginning of Year</u>	0	25,000	267,130
	<hr/>		
<u>FUND BALANCE - End of Year</u>	\$ 0	\$ 0	\$ 249,537
	<hr/>		

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE
AT THE CONCLUSION OF THE AUDIT

To the Members of the Board
Fife Lake Public Library
Fife Lake, Michigan

We have audited the financial statements of governmental activities and the major fund of the Fife Lake Public Library for the year ended December 31, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, 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 December 12, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Fife Lake Public Library are described in Note 1 to the financial statements. During the fiscal year, the Library adopted GASB Statement No. 96, Subscription Based Information Technology Arrangements, which requires changes to how subscription arrangements are reported in the financial statements and disclosures. The application of existing policies was not changed during 2023. We noted no transactions entered into by the Fife Lake Public 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 governmental activities and the major fund of the Library's financial statements were:

Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the estimates 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.

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. We detected a material

misstatement as a result of our audit procedures that was corrected by management. The material adjustment made was a result of providing client assistance as the client knew the adjustment was necessary but requested our assistance in accruing wages.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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 dated March 6, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Fife Lake Public Library's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or 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 the Fife Lake Public Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our audit of the basic financial statements of the Fife Lake Public Library for the year ended December 31, 2023, we noted the following items which we feel deserve comment:

Petty Cash

All petty cash should be recorded in QuickBooks for receipts taken in or when replenished, as well as all disbursements from petty cash. Majority of the deposits were recorded in QuickBooks during the year (deposits over \$25), however there were some trivial items paid for with petty cash not recorded in QuickBooks. We recommend you adopt a petty cash policy and reconcile the petty cash on a regular basis back to QuickBooks.

Bank Reconciliation

While reviewing the bank reconciliations, we noticed there is an outstanding check/debit on the books for approximately \$115. We recommend Management determine if this was a bookkeeping error or determine if the check needs to be reissued, adjusted for or escheated to the State of Michigan.

Sales Tax Paid

While reviewing credit card purchases, we noticed there was sales tax paid on a couple of different purchases. While we did see improvement since the last audit, we recommend the Library use their sales tax exemption certificate whenever possible, as the Library is typically not subject to sales taxes.

Budget

The Library's actual expenditures exceeded final budgeted amounts on several line items in the budget, but not in total. The State requires governments to amend the budget prior to exceeding expenditures. We recommend the Board review actual expenditures and amend the budget at year end to accommodate any overages, plus any accounts payable that may need to be recorded.

Condition of Accounting Records and Accounting Controls

We would like to thank the accounting personnel for their efforts in accumulating the information needed for our audit. We encourage you to review your internal and accounting controls on an annual basis to ensure they are adequate and operating as intended.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis and the Budgetary Comparison Schedule, which are required supplementary information (RSI) that supplement 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 responses 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.

Restriction on Use

This information is intended solely for the information and use of the Board and management of Fife Lake Public Library and is not intended to be, and should not be, used by anyone other than these specified parties.

UHY LLP

Cadillac, Michigan

March 6, 2024

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the Board
Fife Lake Public Library
Fife Lake, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Fife Lake Public Library, Fife Lake, Michigan as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Fife Lake Public Library's, Fife Lake, Michigan basic financial statements and have issued our report thereon dated March 6, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fife Lake Public Library, Fife Lake, Michigan'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 Fife Lake Public Library, Fife Lake, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fife Lake Public Library, Fife Lake, Michigan's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described below, that we consider to be material weaknesses:

1) *Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.*

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including related footnotes (i.e., external financial reporting).

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the government's internal controls over the preparation of financial statements in accordance with GAAP are incomplete. Instead, the government relies, in part, on its external auditors for assistance with this task.

Recommendation: Due to the size and minimal activity, we recommend that the government continue to outsource financial statement preparation.

View of Responsible Officials: The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and noted prior to approving them and accepting responsibility for their content and presentation.

Corrective Action: The Library has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the Library to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation. The person responsible for the corrective action is the Library Director. The anticipated completion date of the corrective action plan is immediate.

2) *Lack of Segregation of Duties*

Criteria: Management is responsible for establishing and maintaining internal controls in order to safeguard the assets of the government. A key element of internal control is the segregation of incompatible duties.

Condition: The government has several accounting functions that are performed by the same individual and are not subject to a documented independent review and approval.

Cause: This condition is primarily the result of staffing constraints typical of smaller governmental units. Some of the control activities detailed above may be occurring on a routine basis but are not being documented.

Effect: As a result of this condition, the government is exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented or detected by management on a timely basis.

Recommendation: There are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties. Recognizing this fact, we encourage the government to mitigate this risk by requiring as much independent

review, reconciliation, and approval of accounting functions by qualified members of management as possible.

View of Responsible Officials: Management recognizes that this limitation is a natural outgrowth of the small number of staff and applies its judgment in determining how best to allocate the Library's resources to provide an appropriate balance between sound internal controls and fiscal prudence.

Corrective Action Plan: The Library currently is outsourcing more of the accounting duties to an external accountant, which will eliminate majority of the lack of segregation of duty issues going forward. We realize that segregation of duties is important in order to increase internal control. Management oversight has been an alternative means of monitoring internal control. We still are exploring ways to spread some of the day-to-day accounting responsibilities. The Library and Board will continue to monitor the situation and explore cost effective ways to improve this internal control limitation.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fife Lake Public Library, Fife Lake, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Fife Lake Public Library's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Fife Lake Public Library's response to the findings identified in our audit and described above. Fife Lake Public Library's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, handwritten font, with 'LLP' in a smaller, simpler font to the right.

Cadillac, Michigan
March 6, 2024