

FARMINGTON COMMUNITY LIBRARY

**FINANCIAL REPORT
WITH
SUPPLEMENTAL INFORMATION**

JUNE 30, 2022

FARMINGTON COMMUNITY LIBRARY

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Farmington Community Library
Farmington Hills, Michigan

Opinion

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

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

Basis for Opinion

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

Other Matters

Required Supplementary Information

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

Alan C. Young & Assoc.

Detroit, Michigan
October 6, 2022

FARMINGTON COMMUNITY LIBRARY

Management's Discussion and Analysis (MD&A)

June 30, 2022

This section of Farmington Community Library's (the Library) annual financial report presents our discussion and analysis of the Library's financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the Library's financial statements, which follow this section.

Governmental Accounting Standards Board Statement No. 34

Farmington Community Library has prepared this report in accordance with the Governmental Accounting Standards Board Statement (GASB) No. 34 reporting requirement. Known as GASB Statement No. 34, the reporting requirement includes this letter and provides a comparative analysis between the current year and prior year financial information. The following information presents a comparative analysis of key elements of the total governmental funds and the total enterprise funds.

Financial Highlights

- The Library's total assets are \$20.6 million, and net position amounted to \$18.2 million, an increase in net position of approximately \$1.3 million from the fiscal year ended June 30, 2021.
- During the year, the library-wide governmental activity revenue generated in taxes and other revenue was approximately \$1.3 million more than expenses for library operations.
- General Fund revenue exceeded expenditures by approximately \$1,465,000. In addition, total General Fund revenue increased by approximately \$337,000 and General Fund expenditures increased by approximately \$156,000 compared to fiscal year 2021. Fund balance in the General Fund increased from \$5,054,919 to \$5,902,493.

Overview of the Financial Statements

The Library's annual report consists of four parts: (1) management's discussion and analysis (this section), (2) the basic financial statements, (3) notes to the financial statements, and (4) required supplemental information. The basic financial statements include two kinds of statements that present different views of the Library:

- The first statement is a combination of the funds' balance sheet and government-wide statement of net position.
- The second statement is a combination of the funds' statement of revenue, expenditures, and changes in fund balances and the government-wide statement of activities.
- Fund financial statements focus on individual parts of the library government, reporting the Library's operations in more detail than the government-wide statements.
- Government-wide financial statements provide both long-term and short-term information about the Library's overall financial status.
- The governmental fund statements tell how general government services were financed in the short term, as well as what remains for future spending.
- Unlike other governmental entities, the Library has no activities requiring proprietary fund statements.
- Fiduciary fund statements provide information about the financial relationships in which the Library acts as an agent that administers the fund for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements.

FARMINGTON COMMUNITY LIBRARY

Management's Discussion and Analysis (MD&A) (Continued) June 30, 2022

Table 1 summarizes the major features of the Library's financial statements, including the portion of the Library government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

<u>Type of Information</u>	<u>Government-wide</u>	<u>Governmental Fund</u>
Scope	Entire library government (except fiduciary funds)	Entire library government (except fiduciary funds)
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital and short term and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-wide Statements

The government-wide financial statements report information about the Library as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenue and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the Library's net position and how it has changed. Net position – the difference between the Library's assets and deferred outflows of resources and its liabilities and deferred inflows of resources - is one way to measure the Library's financial health or position. Over time, increases or decreases in the Library's net position are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Library, additional nonfinancial factors, such as changes in the Library's property tax base and whether or not larger expenditures for capital improvements affected the Library's net position, must be considered.

The government-wide financial statements of the Library are classified into the following category:

Governmental activities - The Library's basic services are included here. Property taxes and state revenue finance most of these activities.

FARMINGTON COMMUNITY LIBRARY

Management's Discussion and Analysis (MD&A) (Continued)

June 30, 2022

Fund Financial Statements

The fund financial statements provide more detailed information about the Library's most significant funds - not the Library as a whole. Funds are accounting devices that the Library uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law. The library board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The Library has two kinds of funds:

- Governmental funds - Most of the Library's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information in the adjustments column on the financial statements that explain the relationship (or differences) between the two sets of statements.
- Fiduciary funds - The Library maintains a fiduciary fund for the Metro Net Agency activities and for their OPEB Fund.

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 the Library, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$18,170,069 at the close of the most recent fiscal year.

The Library's Net Position

	<u>2022</u>	<u>2021</u>
Assets		
Current and Other Assets	\$ 10,729,964	\$ 9,511,663
Capital Assets	9,911,037	10,294,548
Total Assets	<u>20,641,001</u>	<u>19,806,211</u>
Deferred Outflows of Resources	<u>210,014</u>	<u>67,573</u>
Liabilities		
Current Liabilities	616,791	803,147
Noncurrent Liabilities	1,336,611	1,589,786
Total Liabilities	<u>1,953,402</u>	<u>2,392,933</u>
Deferred Inflows of Resources	<u>727,544</u>	<u>584,100</u>
Net Position		
Net Investment in Capital Assets	9,910,415	10,294,548
Restricted	299,448	306,717
Unrestricted	7,960,206	6,295,486
Total Net Position	<u>\$ 18,170,069</u>	<u>\$ 16,896,751</u>

The Library's combined net position as of June 30, 2022 is approximately \$18,170,000. In comparison, last year's net position was approximately \$16,897,000, an increase of approximately \$1,273,000.

FARMINGTON COMMUNITY LIBRARY

Management's Discussion and Analysis (MD&A) (Continued)

June 30, 2022

The Library's Changes in Net Position

	<u>2022</u>	<u>2021</u>
Revenue		
Property Taxes	\$ 6,137,177	\$ 5,988,472
Intergovernmental - State of Michigan	555,696	553,211
Memorials and Gifts	215,343	9,829
Fines and Fees	40,221	6,210
Investment (Loss) Income	(1,229)	1,467
Other Income	37,107	39,344
Total Revenue	<u>6,984,315</u>	<u>6,598,533</u>
Expenses		
General Government:	3,036,866	3,049,553
Facilities and Equipment:	1,816,853	2,224,248
Administrative	212,374	95,132
Other Operating Expenses	299,594	247,304
Capital Outlay	345,310	225,603
Total Expenses	<u>5,710,997</u>	<u>5,841,840</u>
Excess of Revenue Over Expenses	1,273,318	756,693
Net Position - June 30, 2021	<u>16,896,751</u>	<u>16,140,058</u>
Net Position - June 30, 2022	<u>\$ 18,170,069</u>	<u>\$ 16,896,751</u>

Total revenue increased approximately \$385,000 or 5.8 percent from last year, a result of a increase in property taxes and memorials and gifts revenue.

Total expenses for the Library decreased approximately \$130,000 or 2.2 percent. The decrease in overall spending was due to the change in operating conditions.

General Fund Budgetary Highlights

Over the course of the year, the Library amended the budget in a legally permissible manner to reflect changing events. There were minimal amendments made in the Library's General Fund budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2022, the Library had invested \$9,910,415 in capital assets, net of related debt. These assets are recorded and depreciated using methods consistent with those established by the GASB.

FARMINGTON COMMUNITY LIBRARY

Management's Discussion and Analysis (MD&A) (Continued)

June 30, 2022

Long-term Debt

The Library has no long-term debt outstanding for governmental activities at year end.

Economic Factors and Next Year's Budgets and Rates

Financial stability for operating monies has been the primary goal of the trustees' strategic plan. This was accomplished at the May 2005 election, with voter approval of a dedicated operating millage of 1 mill (.9787 with Headlee reduction) for 20 years until 2024. These library summer taxes were levied and collected beginning on July 1, 2005, replacing the quarterly appropriations from the cities of Farmington and Farmington Hills, Michigan. This is in addition to the 0.6 mill (.5730 with Headlee reduction) approved in 1998 for 15 years, expiring with the December 2012 levy.

In the November 2011 election, voters approved the renewal of the 0.5730 mill for 20 years until 2032. With this continued funding comes the financial stability for the Library board to plan and implement our service goals, even as the Library faces reduced property tax revenue and reduced interest earnings.

The Library continues to review all expenditures for value with focus on cost reductions, while meeting core resident requirements and services. This comes at a time when Library use is high, with over 800,000 items checked out this year. Property tax revenue growth has been slow. Recovery of lost revenue due to the economic downturn may take years. However, personal property tax revenue enabled the Library to implement much needed capital improvements.

The generosity of the Friends of the Farmington Community Library (the "Friends") added the following resources and materials:

- In fiscal year 2021-2022 the Library received a \$29,052 grant, *STEM Learning for Everyone*, from Bosch Company, administered through the Friends, which helped to purchase materials for our Seed Library, the Cengage Learning Udemy Database, STEM Kits for Children, and 10 laptops for programming.
- The Farmington/Farmington Hills Special Services Activity Guide, which promotes participation in Library programs continues to be funded by the Friends.
- The Friends were also instrumental in sponsoring highly popular programs, such as Community Sings, Warm Wraps for Seniors, Battle of the Books, Family Fun in Riley Park Concert Series, and Summer Reading.
- "1000 Books Before Kindergarten," an early childhood reading initiative, was launched in October 2016, with books and related material purchased by the Friends of the Library.
- The Friends continue to support the usage fee for our circulating Hot Spots which have become more popular during the pandemic.
- During Asian Pacific American Heritage Month Celebration, the Friends supported a performance by the Polynesian Dancers of Michigan which supports the Library's goal to promote diversity in our community.

There continue to be significant savings due to changes made by the Library Board to health care. During the fiscal year, the Library made additional contributions totaling \$170,762 to the defined benefit funding of Retiree Health Care Fund, which closed in 2016 to new participants.

FARMINGTON COMMUNITY LIBRARY

Management's Discussion and Analysis (MD&A) (Continued)

June 30, 2022

Economic Factors and Next Year's Budgets and Rates (Continued)

Due to unpredictable increases in the healthcare costs, the Board of Trustees redesigned the retiree healthcare benefit in December 2016 for future retirees, thereby significantly reducing legacy costs. Eligible retirees who were participating in the program when it closed were protected from any loss of benefits, and the current retiree health plan is fully funded as of June 30, 2022.

Effective December 2016, the board of trustees adopted a defined contribution retiree health savings plan for all active full-time employees, which requires an employee contribution toward costs and limits the Library's legacy costs. Part time staff expressed an interest in participating in the new plan and the Board approved this effective July 2019.

The reality of our aging buildings will necessitate increased expenditures for maintenance and capital improvement. Accomplishments during fiscal year 2021-2022 included elevator replacement at 12 mile, battery modules, motor for air handling unit, computers, LED lights, updated water fountains, and RFIDs.

Next Year's Budget

Plans for 2022-2023 include:

- Farmington Branch Door Replacement
- 12 Mile Parking lot restoration
- Firewall Door Replacement
- HVAC and Roofing Replacements for both Liberty Street and 12 Mile
- New Automated Material Handling (AMH) unit at 12 Mile
- New AV equipment in all meeting and conference rooms at both Liberty Street and 12 Mile
- Development of a dedicated "teen space" and additional areas for group study and collaboration.

A building assessment was performed on each location by JLL to allow the board to plan and prioritize upcoming projects in order of necessity. The Board of Trustees is taking an active role in upgrading infrastructure and mechanicals of both branches.

Economic forecasts for 2022-2023 from both cities assume a slight increase in property values. However, the Headlee Amendment continues to reduce the amount the Library receives in property tax revenue. The Library will continue to work toward the Library Board's fiscal objectives, as follows:

- Optimize alternative resource funding, including additional philanthropy and charitable giving to the Library and opportunities to increase revenue.
- Demonstrate wise stewardship of library resources by pursuing efficiencies for operations and performing repairs and maintenance of infrastructure consortium and bid purchasing options.
- Procure and use various analytic and marketing tools to assess the service module of the library to proactively change services and staffing structure to best serve the changing needs of the community.
- Continue to implement the strategies outlined in the Library Strategic Plan. The Library looks to engage stakeholders by increasing community partnerships, responding to the rapidly changing technological needs of its patrons and marketing to non-users. We are especially interested in re-engaging with patrons ages 18-30, as their usage has dropped off.

FARMINGTON COMMUNITY LIBRARY

Management's Discussion and Analysis (MD&A) (Continued)

June 30, 2022

Requests for Further Information

This financial report is designed to provide our citizens, taxpayers, 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 questions about this report or need additional financial information, contact the Library Director at 32737 West Twelve Mile Road, Farmington Hills, MI 48334-3302.

FARMINGTON COMMUNITY LIBRARY

Governmental Fund Balance Sheet/Statement of Net Position June 30, 2022

	Modified Accrual				Adjustments (Note 14)	Statement of Net Position - Full Accrual
	General Fund	Major Capital Reserve Fund	Nonmajor Endowment Special Revenue Fund	Total		
ASSETS						
Cash & Cash Equivalents (Note 3)	\$ 6,179,648	\$ 2,920,151	\$ -	\$ 9,099,799	\$ -	\$ 9,099,799
Investments (Note 3 and 4)	-	-	346,623	346,623	-	346,623
Account Receivable	52,396	-	-	52,396	-	52,396
Due From Other Governmental Agencies	201,091	-	-	201,091	-	201,091
Prepaid Expenses and Other Assets	138,479	-	-	138,479	-	138,479
Net OPEB Asset (Note 10)	-	-	-	-	847,284	847,284
Right to Use Leased Assets, net of Amortization (Note 13)	-	-	-	-	44,292	44,292
Capital Assets - Net (Note 5)						
Non-depreciable	-	-	-	-	374,272	374,272
Depreciable	-	-	-	-	9,536,765	9,536,765
Total Assets	6,571,614	2,920,151	346,623	9,838,388	10,802,613	20,641,001
Deferred Outflows of Resources						
Deferred Pension Costs (Note 8)	-	-	-	-	88,008	88,008
Deferred OPEB Cost (Note 10)	-	-	-	-	122,006	122,006
Total Assets and Deferred Outflows of Resources	\$ 6,571,614	\$ 2,920,151	\$ 346,623	\$ 9,838,388	\$ 11,012,627	\$ 20,851,015
LIABILITIES AND FUND BALANCE/NET POSITION						
LIABILITIES						
Accounts Payable	\$ 112,109	\$ -	\$ -	\$ 112,109	\$ -	\$ 112,109
Accrued Liabilities and other	486,795	-	-	486,795	-	486,795
Due to Other Governmental Agencies	17,887	-	-	17,887	-	17,887
Noncurrent Liabilities:						
Due within one year - Compensated Absences (Note 6)	-	-	-	-	131,399	131,399
Due within one year - Lease Liability (Note 14)	-	-	-	-	12,078	12,078
Due in more than one year:						
Compensated Absences (Note 6)	-	-	-	-	32,850	32,850
Lease Liability (Note 14)	-	-	-	-	32,836	32,836
Net Pension Liability (Note 8)	-	-	-	-	1,127,448	1,127,448
Total Liabilities	616,791	-	-	616,791	1,336,611	1,953,402
Deferred Inflows of Resources (Note 1)						
Deferred Pension Costs (Note 8)	-	-	-	-	651,916	651,916
Deferred OPEB Cost (Note 10)	-	-	-	-	75,628	75,628
Unavailable Revenue	52,330	-	-	52,330	(52,330)	-
Total Liabilities and Deferred Inflows of Resources	\$ 669,121	\$ -	\$ -	\$ 669,121	\$ 2,011,825	\$ 2,680,946
FUND BALANCE (Note 1)						
Nonspendable	\$ 138,479	\$ -	\$ -	\$ 138,479	\$ (138,479)	\$ -
Restricted:						
Books	186,178	-	-	186,178	(186,178)	-
DVDs	-	-	-	-	-	-
Farmington Branch	12,599	-	100,000	112,599	(112,599)	-
Children Services	671	-	-	671	(671)	-
Total Restricted	199,448	-	100,000	299,448	(299,448)	-
Committed						
Future Endowments	-	-	246,623	246,623	(246,623)	-
Assigned - Capital Projects	-	2,920,151	-	2,920,151	(2,920,151)	-
Unassigned	5,564,566	-	-	5,564,566	(5,564,566)	-
Total Fund Balance	5,902,493	2,920,151	346,623	9,169,267	(9,169,267)	-
Total Liabilities, Deferred Inflows and Fund Balance	\$ 6,571,614	\$ 2,920,151	\$ 346,623	\$ 9,838,388		
NET POSITION						
Net Investment in Capital Assets					9,910,415	9,910,415
Restricted:						
Books					186,178	186,178
Farmington Branch					112,599	112,599
Children Services					671	671
Total Restricted					299,448	299,448
Unrestricted					7,960,206	7,960,206
Total Net Position					\$ 18,170,069	\$ 18,170,069

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

FARMINGTON COMMUNITY LIBRARY

Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2022

	Modified Accrual				Adjustments (Note 14)	Statement of Activities - Full Accrual
	General Fund	Major Capital Reserve Fund	Nonmajor Endowment Special Revenue Fund	Total		
REVENUE						
Property Taxes	\$ 6,137,177	\$ -	\$ -	\$ 6,137,177	\$ -	\$ 6,137,177
Intergovernmental - State of Michigan	555,696	-	-	555,696	-	555,696
Memorials and Gifts	163,013	-	-	163,013	52,330	215,343
Fines and Fees	40,221	-	-	40,221	-	40,221
Investment Income (Loss)	3,698	1,195	(6,122)	(1,229)	-	(1,229)
Other Income	37,107	-	-	37,107	-	37,107
Total Revenue	6,936,912	1,195	(6,122)	6,931,985	52,330	6,984,315
EXPENDITURES - CURRENT						
General Government:						
Salaries and Wages	2,259,288	-	-	2,259,288	(25,804)	2,233,484
Fringe Benefits	922,466	-	-	922,466	(119,084)	803,382
Facilities and Equipment:						
Professional Services	230,342	-	-	230,342	-	230,342
Repairs and Maintenance	330,367	-	-	330,367	-	330,367
Utilities	246,554	-	-	246,554	-	246,554
Depreciation	-	-	-	-	995,768	995,768
Amortization	-	-	-	-	12,360	12,360
Principal on Leased Asset	11,738	-	-	11,738	(11,738)	-
Interest on Leased Asset	1,462	-	-	1,462	-	1,462
Administrative:						
TLN/Internet	24,739	-	-	24,739	-	24,739
Insurance	80,627	-	-	80,627	-	80,627
Automation-related Expenditures	107,008	-	-	107,008	-	107,008
Other Operating Expenses	299,594	-	-	299,594	-	299,594
Capital Outlay:						
Building and Building Improvements	229,173	-	-	229,173	(227,310)	1,863
Furniture and Equipment	77,631	-	-	77,631	(53,303)	24,328
Vehicles	1,303	-	-	1,303	-	1,303
Books, Periodicals, and Library Materials	649,460	-	-	649,460	(331,644)	317,816
Total Expenditures	5,471,752	-	-	5,471,752	239,245	5,710,997
Other Financing Sources (Uses)						
Transfers In	-	617,586	-	617,586	-	617,586
Transfers Out	(617,586)	-	-	(617,586)	-	(617,586)
Total Other Financing Sources (Uses)	(617,586)	617,586	-	-	-	-
Excess of Revenue Over Expenditures/ Net Change in Fund Balance/Net Position	847,574	618,781	(6,122)	1,460,233	(186,915)	1,273,318
Fund Balance/Net Position - June 30, 2021	5,054,919	2,301,370	352,745	7,709,034	9,187,717	16,896,751
Fund Balance/Net Position - June 30, 2022	\$ 5,902,493	\$ 2,920,151	\$ 346,623	\$ 9,169,267	\$ 9,000,802	\$ 18,170,069

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

FARMINGTON COMMUNITY LIBRARY

Statement of Fiduciary Net Position Year Ended June 30, 2022

	Pension (and Other Employee Benefit) Trust Funds	Custodial Funds Metro Net Agency
	OPEB	
ASSETS		
Cash & Cash Equivalents	\$ -	\$ 25,332
Investments (Note 4)	2,267,778	-
Total Assets	<u>2,267,778</u>	<u>25,332</u>
LIABILITIES		
Accrued Liabilities and Other	-	7,071
Total Liabilities	<u>-</u>	<u>7,071</u>
NET POSITION		
Restricted for:		
Postemployment Benefits other than Pensions	2,267,778	-
Metro Net Consortium Members	-	18,261
Total Net Position	<u>\$ 2,267,778</u>	<u>\$ 18,261</u>

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

FARMINGTON COMMUNITY LIBRARY

Statement of Changes in Fiduciary Net Position Year Ended June 30, 2022

	Pension (and Other Employee Benefit) Trust Funds	Custodial Funds
	OPEB Funds	Metro Net Agency
ADDITIONS		
Reimbursement Revenue	\$ -	\$ 281,250
Membership Dues	-	31,500
Contributions	170,762	-
Investment Loss	(203,748)	-
Other Income	-	7
Total Revenue	(32,986)	312,757
DEDUCTIONS		
Metro Net Agency Fee	-	10,000
Other Operating Expenses	-	14,710
Reimbursable Expenses	-	281,250
Benefits Paid to Participants/Beneficiaries	170,762	-
Professional Services	4,441	-
Total Expenditures	175,203	305,960
Net Change in Net Position	(208,189)	6,797
Net Position - June 30, 2021	2,475,967	11,464
Net Position - June 30, 2022	\$ 2,267,778	\$ 18,261

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

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Farmington Community Library (the Library) was established in 1956 and serves the Farmington communities through two libraries located in Farmington and Farmington Hills.

Reporting Entity

The Library is governed by an appointed eight-member board of trustees. 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. It provides resources for the informational, educational, cultural, and recreational needs of its patrons. The residents of both cities approved an independent tax millage in 2005 that allows the Library to no longer be dependent on subsidies from the cities after the year ended June 30, 2005.

The Library's General Fund, Major Capital Reserve Fund and Endowment Special Revenue Fund account for all financial resources of the Library.

The accompanying financial statements present the Library and any component units, entities for which the Library is considered to be financially accountable. There are no component units required to be included in the library's financial report.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 full 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.

The statement of net position includes and recognizes all long-term assets and receivables as well as long term debt and obligations. The library's net position is reported in three parts: net investment in capital assets, restricted net position, and unrestricted net position. The statement of activities includes depreciation on long term assets and eliminates capital outlay expense.

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 full accrual accounting.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

Separate financial statements are presented for governmental funds and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. The fiduciary fund uses the economic resources measurement focus and the full 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.

Major individual governmental funds are reported as separate columns in the fund financial statements.

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:

Major Funds

- a. **General Fund** is the primary 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 Reserve Fund** is used to account for funds that are assigned for expenditure for capital projects.

Nonmajor Fund

- c. **Endowment Special Revenue Fund** was established to account for donations restricted for purpose. The board resolved in fiscal year 2012 that only investment earnings can be used for library special projects, as periodically determined by the library board. Currently, the portion of the donations that has a purpose restriction is shown as restricted fund balance. The library board has committed the remaining fund balance for future endowments. These funds are set aside for the library board to use for any intent in the future. The funds may not be spent until the library board releases them for a specific purpose. The Library has no nonspendable permanent endowments at this time.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the Library's programs. Activities that are reported as fiduciary include assets held in a trust or as an agent for other, including the Metro Net Agency Fund and the Other Employee Benefit Trust Fund. The Other Employee Benefit Trust Fund became a Fiduciary Fund during the year ended June 30, 2021 due to the implementation of GASB 84.

Interfund Activity

During the course of operations, the Library has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the governmentwide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. There was a transfer of \$617,586 from General Fund to the Capital Reserve Fund during fiscal year 2022.

Property Tax Revenue - Property taxes are levied and due on each July 1 on the taxable valuation of property included in the Library's district, as of the preceding December 31. Taxes are collected by the cities of Farmington and Farmington Hills, Michigan without penalty through September 15, at which date they are considered delinquent and penalties and interest are assessed. Property taxes attach as an enforceable lien on property as of December 31 each year.

The Library's 2021 tax is levied and collectible on July 1, 2021 and is recognized as revenue in the year ended June 30, 2022, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2021 taxable valuation of the City of Farmington and Farmington Hills totaled \$4.078 billion (a portion of which is abated and a portion of which is captured by the TIFA and DDA). Taxes levied consisted of 1.5062 mills and resulted in a gross Library levy of \$6,142,391 net of Michigan Tax Tribunal adjustments, which is recognized in the General Fund. Out of the total 1.5062 mills, one operating mill of 0.9500 expires in the year 2024, while the other 0.5562 mills expire in 2032.

Cash Equivalents - The Library considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Investments are stated at fair value based on quoted market prices.

FARMINGTON COMMUNITY LIBRARY

Notes to Financial Statements (Continued)

June 30, 2022

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade, notes, contracts, and property tax receivables are shown net of an allowance for uncollectible amounts.

Prepaid Expenses - Payments made to vendors for services that will benefit periods beyond June 30, 2022 are recorded as prepaid expenses.

Capital Assets - Capital assets owned by the Library, are reported in the statement of net position. The Library's capital assets consist of property, plant, equipment, artwork, vehicles and books. Capital assets are defined by the Library as assets with an initial individual cost of more than \$5,000 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 acquisition value at the date of donation.

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

Asset Class	Depreciable life - in years
Buildings and Improvements	15-39
Equipment and Furniture	3-7
Books and other Resources	10
Vehicles	5

Leases – The Library leases certain assets from various third parties. The assets leased include copiers and postage equipment. Payments are generally fixed monthly. Other than the assets under lease, the Library has not pledged any collateral as security for its lease arrangements.

Compensated Absences (Vacation and Sick leave) – Library employees have a vested right to receive payments for unused vacation and sick leave under conditions specified in the personnel policy manual. All vacation and applicable sick leave is accrued when incurred at the government-wide level. A liability for these amounts is reported in governmental funds only for employee termination at year end.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

Deferred Outflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then.

The Library has deferred outflows of resources related to the pension and OPEB plans of \$88,008 and \$122,006 at June 30, 2022.

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 represents an acquisition of net position that applies to a future period(s) and so will not be recognized as revenue in the current period. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The Library has deferred inflows of resources related to the pension plan and OPEB plans of \$651,916 and \$75,628 at June 30, 2022. The Library also has deferred inflows of resources related to unavailable revenue of \$52,330.

Pension and Other Postemployment Benefit Costs

The Library offers both pension and retiree healthcare benefits to retirees.

The Library offers a defined benefit pension plan to its full- and part-time employees hired prior to 1999. Employees hired after 1999 are enrolled in a defined contribution plan to which the employer contributes 5 % of gross wages per pay period. As there is no vesting period, the Library has no fiduciary rights or responsibilities for the defined contribution plan other than the payment of the 5 % gross wages. The Library records a net defined benefit pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)****Pension and Other Postemployment Benefit Costs (Continued)**

The Library records a net OPEB asset for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Retiree Health Care Plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Equity – Net position is classified in three components:

- (a) **Net Investment in Capital Assets** - Consists of 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. This also includes right to use assets, reduced by lease liability.
- (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 position 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 cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted: Amounts that are restricted to specific purposes by constraints placed on the use of resources by either externally imposed creditors, grantors, contributors or laws or regulations of other governments or amounts that are imposed by law through constitutional provisions or enabling legislation.

Committed: Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Library's highest level of decision making authority, the Board of Trustees. Commitments must be made by resolution of the Board of Trustees and can be rescinded only by resolution. Commitment resolutions must be made prior to year-end.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Fund Equity (Continued)

Assigned: Amounts that are constrained by the Library's intent to be used for specific purposes but are neither restricted nor committed. Intent must be expressed by the Board of Trustees.

Unassigned: Amounts that are the residual classification for the general fund. In other governmental funds, if expenditures are incurred for specific purposes that exceed the amounts restricted, committed or assigned, it will be necessary to report a negative unassigned fund balance in the fund.

At June 30, 2022, the Library has \$138,479 of nonspendable fund balance, \$299,448 restricted, \$246,623 committed for future endowments, and \$2,920,151 assigned for capital projects.

Net Position Flow Assumption – The Library will sometimes fund outlays for a particular purpose from both restricted 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.

Fund Balance Flow Assumptions – The Library will sometimes 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. Furthermore, 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.

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.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)****Adoption of New Accounting Pronouncement**

In June 2017, the GASB issued 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 were previously 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.

During the current year, the Library adopted GASB Statement No. 87 and as a result has recorded a right to use lease asset. The right to use asset is initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. Right to use assets are amortized on a straight-line basis over the life of the related lease.

2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2022, expenditures exceeded appropriations for insurance, principal on leased asset and interest on leased asset. In total Expenditures were \$844,693 below the final budget.

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. The law also allows investments outside the State of Michigan when fully insured. 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.

In 1996 the Library established the Endowment Special Revenue Fund and adopted an investment policy for funds received by the Endowment Special Revenue Fund. The Endowment Special Revenue Fund investment policy follows Michigan Public Act 20 of 1943.

FARMINGTON COMMUNITY LIBRARY

Notes to Financial Statements (Continued)

June 30, 2022

3) DEPOSITS AND INVESTMENTS (Continued)

The Library has designated two banks and one financial institution for the deposit of its funds. The Library's deposits and investment policies are in accordance with statutory authority.

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 has a deposit policy for custodial credit risk that limits investments to those authorized by laws governing surplus funds in the state of Michigan. It also requires portfolio diversification, use of only institutions with FDIC offerings, and holding securities in the Library's name. At year end, the Library has \$8,862,172 of deposits (checking, savings, certificate of deposit and money market accounts) that were uninsured and uncollateralized. \$275,332 is insured by the FDIC.

Investments

Custodial Credit Risk

The Library's investments are subject to custodial credit risk of investments. Custodial credit risk is the risk that in the event of a failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Library does not have a policy for custodial credit risk.

At June 30, 2022, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the Library's name:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>How Held</u>
Governmental Security Money Market Mutual Funds	\$ 2,214	Counterparty
Governmental Security Fixed Income Mutual Funds	62,081	Counterparty
Money Market	282,328	Counterparty
Total Investments	<u>\$ 346,623</u>	

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Library's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. At June 30, 2022 the Library had the following investments and weighted average maturities:

<u>Primary Government</u>	<u>Fair Value</u>	<u>Maturity</u>
Fixed-Income Security Pool	\$ 62,081	6-10 years

FARMINGTON COMMUNITY LIBRARY

Notes to Financial Statements (Continued)

June 30, 2022

3) DEPOSITS AND INVESTMENTS (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Library's investment policy does not further limit its investment choices. As of June 30, 2022, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Primary Government</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Fixed-Income Security Pool	\$ 62,081	Not rated	N/A

Concentration of Credit Risk

The Library places no limit on the amount it may invest in any one issuer (other than the U.S. government). None of the Library's investments are concentrated in any one issuer more than 5 %.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates. The Library held no such investments at June 30, 2022.

4) FAIR VALUE MEASUREMENTS

The Library uses fair value measurements in the preparation of its financial statements. The framework for measuring fair value is provided by fair value hierarchy established by generally accepted accounting principles and is based on the valuation inputs used to measure the fair value of the assets. The three levels of the fair value hierarchy are described as follows:

- **Level 1:** inputs are quoted prices in active markets for identical assets.
- **Level 2:** inputs are significant other observable inputs.
- **Level 3:** inputs are significant unobservable inputs.

Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Library's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

FARMINGTON COMMUNITY LIBRARY

Notes to Financial Statements (Continued)
June 30, 2022

4) FAIR VALUE MEASUREMENTS (Continued)

Investment in Entities that Calculate Net Asset Value per Share

The Library holds shares or interests in investment companies where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient. As of June 30, 2022, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
US. Government Fixed Income	\$ 346,623	\$ -	N/A	N/A
MERS Total Market Fund	2,267,778	-	N/A	N/A
Total Investments Measured at NAV	\$ 2,614,401	\$ -		

The MERS Total Market Fund is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes, including real estate, private equity, and commodities. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. MERS manages the asset allocation and monitors the underlying investment managers of the MERS Total Market Fund.

5) CAPITAL ASSETS

Capital asset activity of the Farmington Community Library's governmental activities is as follows:

	Balance 6/30/2021	Additions	Transfers	Disposals	Balance 6/30/2022
Capital Assets not Being Depreciated:					
Artwork	\$ 163,049	\$ -	\$ -	\$ -	\$ 163,049
Land	130,410	-	-	-	130,410
Construction In Process	152,202	80,813	(152,202)	-	80,813
Subtotal	445,661	80,813	(152,202)	-	374,272
Capital Assets Being Depreciated:					
Buildings and Sites	\$ 17,688,766	\$ 146,497	\$ 152,202	\$ -	\$ 17,987,465
Furniture and Equipment	3,267,885	53,303	-	-	3,321,188
Books	5,463,662	331,644	-	511,743	5,283,563
Vehicles	47,926	-	-	-	47,926
Subtotal	26,468,239	531,444	152,202	511,743	26,640,142
Accumulated Depreciation:					
Buildings and Sites	10,009,641	420,888	-	-	10,430,529
Furniture and Equipment	2,764,852	169,541	-	-	2,934,393
Books	3,819,917	397,911	-	511,743	3,706,085
Vehicles	24,942	7,428	-	-	32,370
Subtotal	16,619,352	995,768	-	511,743	17,103,377
Net Capital Assets Being Depreciated	9,848,887	(464,324)	152,202	-	9,536,765
Leased Equipment	56,652	-	-	-	56,652
Accumulated Amortization	-	12,360	-	-	12,360
Net Capital Assets Being Amortized	56,652	(12,360)	-	-	44,292
Net Capital Assets	\$ 10,351,200	\$ (395,871)	\$ -	\$ -	\$ 9,955,329

FARMINGTON COMMUNITY LIBRARY

Notes to Financial Statements (Continued)
June 30, 2022

6) COMPENSATED ABSENCES

Compensated absences represent the Library's liability for accrued sick and vacation time at June 30, 2022. The amount due within one year represents 80% of the total liability and is based on the Library's estimate.

Compensated absences is a long-term liability and is therefore recorded only in the statement of net position, and not at the fund level. It will be liquidated primarily by the General Fund. The compensated absences activity for the year ended June 30, 2022 is summarized below:

	<u>June 30,</u> <u>2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30,</u> <u>2022</u>	<u>Due Within</u> <u>One Year</u>
Accumulated Compensated Absences	<u>\$ 190,053</u>	<u>\$ 126,238</u>	<u>\$ 152,042</u>	<u>\$ 164,249</u>	<u>\$ 131,399</u>

7) JOINT VENTURES

The Metro Net Library Consortium (the "Consortium" or Metro Net) is a Michigan nonprofit corporation incorporated in January 1994, whose members are seven public libraries: Baldwin (Birmingham), Bloomfield Township, Canton, Farmington Community, Rochester Hills, Southfield, and West Bloomfield Township. The Consortium was founded to promote resource sharing by creating a flexible environment conducive to experimentation, technology innovations, and progressive approaches to library service. The members pay an annual membership fee to the Consortium for shared services.

Farmington Community Library is the principal office of Metro Net, with the Farmington Community Library director serving as the Consortium's fiscal agent and on the Consortium's board of directors. The agency activities of Metro Net are reported in the fiduciary custodial fund.

Total Metro Net net position held by the Library as fiscal agent at June 30, 2022 amounted to \$18,261.

8) DEFINED BENEFIT PENSION PLAN

Plan Description

The Library participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS or MERS of Michigan) that covers all employees of the Library hired and enrolled in MERS prior to July 1999. This plan requires active employees to work a minimum of 80 hours per month. MERS of Michigan was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board.

MERS of Michigan issues a publicly available financial report, which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmich.com or in writing to MERS of Michigan at 1134 Municipal Way, Lansing, MI 48917.

8) DEFINED BENEFIT PENSION PLAN (Continued)

Benefits Provided

The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS of Michigan. The MERS plan covers general employees.

Retirement benefits for employees are calculated as credited service at the time of membership termination multiplied by 2.0 % of the employee's final average compensation (FAC). Normal retirement age is 60 with 10 or more years of service. The plan also provides for early retirement at 55 with 15 or more years of service and at 50 with 25 or more years of service. The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. Death benefits may apply if certain conditions are met. Benefits for a duty death are a minimum of 25 % of the employee's FAC. Benefits for a nonduty death are 85 % of employee's straight-life benefit. The spouse or beneficiary may also elect to withdraw employee contributions. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are 2.5 percent, non-compounding.

Employees Covered by Benefit Terms

At the December 31, 2021 measurement date, the following members were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	30
Inactive Plan Members Entitled to but not yet Receiving Benefits	3
Active Plan Members	<u>4</u>
Total Employees covered by MERS of Michigan	<u><u>37</u></u>

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS of Michigan retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS of Michigan retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

FARMINGTON COMMUNITY LIBRARY

Notes to Financial Statements (Continued)
June 30, 2022

8) DEFINED BENEFIT PENSION PLAN (Continued)

Contributions (Continued)

The plan has two classes of employees. One class is not required to make contributions. The other class is required to contribute 5 % of gross wages; for the fiscal year ended June 30, 2022, the contribution was \$4,543.

Employer contributions for the year ended June 30, 2022 totaled \$138,198. The changes in net pension liability table shown below uses the calendar year from January 1, 2021 through December 31, 2021 to be in compliance with GASB 68.

Net Pension Liability

The Library has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The June 30, 2022 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2021 measurement date. The December 31, 2021 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2020	\$ 10,162,143	\$ 8,762,410	\$ 1,399,733
Changes for the Year:			
Service Cost	19,807	-	19,807
Interest	743,582	-	743,582
Change in benefit terms	-	-	-
Differences between Expected and Actual Experience	(10,057)	-	(10,057)
Changes in Actuarial Assumptions	304,826	-	304,826
Contributions - Employer	-	138,198	(138,198)
Contributions - Employee	-	4,543	(4,543)
Net Investment Earnings	-	1,201,488	(1,201,488)
Benefit Payments, Including Refunds	(776,125)	(776,125)	-
Administrative Expenses	-	(13,786)	13,786
Net Changes	282,033	554,318	(272,285)
Balance at December 31, 2021	\$ 10,444,176	\$ 9,316,728	\$ 1,127,448

For the year ended June 30, 2022, the Library recognized pension expense of \$264,060.

FARMINGTON COMMUNITY LIBRARY

Notes to Financial Statements (Continued)
June 30, 2022

8) DEFINED BENEFIT PENSION PLAN (Continued)

Deferred Outflows of Resources Related to Pensions

At June 30, 2022, the Library reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ (651,916)
Employer contributions to the plan subsequent to the measurement date	88,008	-
Total Deferred Outflows of Resources	<u>\$ 88,008</u>	<u>\$ (651,916)</u>

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date will reduce the net pension liability and, therefore, will not be included in future pension expense):

<u>Year Ending June 30</u>	<u>Amount</u>
2023	\$ (74,489)
2024	(276,799)
2025	(188,603)
2026	(112,025)
Total	<u>\$ (651,916)</u>

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases in the long term of 3.00 percent, and an investment rate of return (gross of investment expenses including inflation) of 7.25 percent.

The valuation incorporates fully generational mortality. The base mortality tables used are constructed as described below and are based on amount weighted sex distinct rates.

For Pre-Retirement Mortality: 100% of Pub-2010 Juvenile Mortality Tables for Ages 0-17, 100% of PubG-2010 Employee Mortality Tables for Ages 18-80, 100% of PubG-2010 Healthy Retiree Tables for Ages 81-120.

For Non-Disabled retired plan members and beneficiaries: 106% of Pub-2010 Juvenile Mortality Tables for Ages 0-17, 106% of PubG-2010 Employee Mortality Tables for Ages 18-49, 106% of PubG-2010 Healthy Retiree Tables for Ages 50-120.

For Disabled retired plan members: 100% of Pub-2010 Juvenile Mortality Tables for Ages 0-17, 100% of PubNS-2010 Disabled Retiree Tables for Ages 18-120.

Future mortality improvements are assumed each year using scale MP-2019 applied fully generationally from the Pub-2010 base year of 2010.

8) DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of the most recent actuarial experience study covering the period from January 1, 2014 through December 31, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that library contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of the December 31, 2021 measurement date, for each major asset class, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Global Equity	60.00%	4.50%
Global Fixed Income	20.00%	2.00%
Private Investments	20.00%	7.00%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Library, calculated using the discount rate of 7.25%, as well as what the Library's net pension liability would be if it were calculated using a discount rate that is 1 % point lower or 1 % point higher than the current rate:

	<u>Discount Rate</u>	<u>Net Pension Liability</u>
Current Rate	7.25%	\$ 1,127,448
1% Decrease	6.25%	2,092,379
1% Increase	8.25%	296,200

8) DEFINED BENEFIT PENSION PLAN (Continued)**Pension Plan Fiduciary Net Position**

Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Changes in Assumptions

Effective February 17, 2022, the MERS Retirement Board adopted a dedicated gains policy that automatically adjusts the assumed rate of investment return by using excess asset gains to mitigate large increases in required contributions to the Plan. As a result, the actuary adjusted the assumed annual investment rate of return from 7.60% to 7.25% year, as of the end of year. The investment interest used in calculation of investment income is 7.25% (7.00% plus .25% admin fee), which was the rate at the beginning of the measurement year. This change is effective for contributions beginning in 2022.

9) DEFINED CONTRIBUTION PENSION PLAN

During the year ended June 30, 2000, the Library began the Farmington Community Library Defined Contribution Plan, as administered by MERS of Michigan. All regular employees of the Library hired after July 15, 1999 and working 80 hours or more per month are eligible to participate in the plan. Employees hired before July 15, 1999 had a one-time option to remain with the MERS Defined Benefit Pension Plan or to transfer their retirement accruals to the defined contribution plan. The transfer occurred on March 29, 2000.

The plan provides that the Library will contribute 5% of eligible employees' gross wages to the plan, and employees may contribute after-tax wages to the plan. The contributions are self-directed by the employees among several investment options. Contributions are fully vested at the time of the contribution. Employees may withdraw pension accruals upon termination from the Library. For the year ended June 30, 2022, employer contributions to the plan were \$87,812 and employee contributions to the plan were \$19,239.

10) OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) – RHCP

Plan Description

Beginning with the fiscal year 2005-2006, the Library elected to participate in the MERS Retiree Health Fund as the method to fund retiree health care for current employees. The Library provides postemployment Medicare supplement health benefits to its employees who were considered full-time employees as of November 30, 2013 and who retired with at least 10 years of continuous full-time service, attained the age of 65, and were eligible for Medicare. The Retiree Health Care Plan (RHCP) is a single-employer defined benefit plan administered by the Farmington Community Library. Retirees participating in this plan are required to make a contribution towards costs depending on their number of years of service.

During December 2016, the Library began participating in the MERS Health Care Savings Program. All active full-time employees eligible for participation in the MERS Retiree Health Fund were given the option to elect to be transferred to the new plan. These employees had until January 1, 2020 to make their election. All employees elected to be transferred into the new plan, and the old plan (RHCP Plan) is closed to new entrants. Please refer to Note 11 for details of the MERS Health Care Savings Program.

Benefits Provided

The Library pays a certain percentage of premium costs of coverage for postemployment health benefits for certain retirees who were full time, as well as reimburses a portion of the retirees' Medicare premiums. The Library has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis).

Employees Covered by Benefit Terms

The following members were covered by the benefit terms at June 30, 2022:

	<u>RHCP</u>
Plan members and spouses currently receiving benefits	19
Plan members entitled but not yet receiving benefits	0
Active plan members	<u>0</u>
Total members covered by the plan	<u><u>19</u></u>

Contributions

The Library has elected to pay retiree health costs on a "pay-as-you-go" basis, but has also elected to make additional contributions at the discretion of management. The Library has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2022, the Library made payments for postemployment health benefit premiums of \$170,762. Retirees contributed \$0 for postemployment health benefit premiums, therefore, the Library's net cost was \$170,762.

FARMINGTON COMMUNITY LIBRARY

Notes to Financial Statements (Continued)
June 30, 2022

10) OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) – RHCP (Continued)

Net OPEB Liability (Asset)

The Library has chosen to use the June 30 measurement date as its measurement date for the net OPEB liability (asset). The June 30, 2022 total OPEB liability was determined by an actuarial valuation performed as of June 30, 2022.

Changes in the net OPEB liability (asset) during the measurement year were as follows:

Changes in Net OPEB Liability	Total OPEB Liability	Plan Net Position	Net OPEB Liability (Asset)
Balance at July 1, 2021	\$ 1,476,485	\$ 2,475,967	\$ (999,482)
Changes for the year:			
Service Cost	-	-	-
Interest	97,377	-	97,377
Differences between expected and actual experience	17,394	-	17,394
Changes in Actuarial Assumptions	-	-	-
Contributions - Employer	-	170,762	(170,762)
Net Investment Loss	-	(203,748)	203,748
Benefit Payments, Including Refunds	(170,762)	(170,762)	-
Administrative Expenses	-	(4,441)	4,441
Other	-	-	-
Net Changes	(55,991)	(208,189)	152,198
Balance at June 30, 2022	<u>\$ 1,420,494</u>	<u>\$ 2,267,778</u>	<u>\$ (847,284)</u>

The plan's fiduciary net position represents 159.6 % of the total OPEB liability.

For the year ended June 30, 2022, the Library recognized OPEB expense of \$36,363.

At June 30, 2022, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (55,575)
Change in assumptions	15,700	(20,053)
Net difference between projected and actual earnings on OPEB plan investments	106,306	-
Total	<u>\$ 122,006</u>	<u>\$ (75,628)</u>
Net		<u>\$ 46,378</u>

FARMINGTON COMMUNITY LIBRARY

Notes to Financial Statements (Continued)

June 30, 2022

10) OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) – RHCP (Continued)

Net OPEB Liability (Asset) (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2023	\$ 19,830
2024	5,118
2025	(12,548)
2026	69,207
2027	(6,175)
Thereafter	<u>(29,054)</u>
Total	<u>\$ 46,378</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using an inflation assumption of 2.5%; assumed salary increases of 0% (as there are no active participants); an investment rate of return (net of investment expenses) of 7.0%; a healthcare cost trend rate of 5.75% for 2022, decreasing 0.25% per year to an ultimate rate of 4.5% for 2027; and using the Pub-2010 mortality tables with the MP-2019 improvement scale. Participation rates were not included as a key assumption for the Library. These assumptions were applied to all periods included in the measurement.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that library contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

10) OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) – RHCP (Continued)

Net OPEB Liability (Asset) (Continued)

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the June 30, 2022 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	60.00%	4.50%
Global Fixed Income	20.00%	2.00%
Private Investments	20.00%	7.00%

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset of the Library, calculated using the discount rate of 7.0%, as well as what the Library's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	Discount Rate	Net OPEB Liability (Asset)
Current Rate	7.0%	\$ (847,284)
1% Decrease	6.0%	(765,676)
1% Increase	8.0%	(952,785)

Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB asset of the Library, calculated using the healthcare cost trend rate of 7.0 %, as well as what the Library's net OPEB (asset) liability would be if it were calculated using a healthcare cost trend rate that is 1 % point lower or 1 % point higher than the current rate:

	Healthcare Cost Trend Rate	Net OPEB Liability (Asset)
Current Rate	7.0%	\$ (847,284)
1% Decrease	6.0%	(946,510)
1% Increase	8.0%	(774,000)

10) OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) – RHCP (Continued)**Net OPEB Liability (Asset) (Continued)****Rate of Return**

For the year ended June 30, 2021, the annual weighted rate of return on OPEB Plan investments, net of OPEB Plan investment expense, was -8.24% percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

OPEB Plan Fiduciary Net Position

The financial statements of the OPEB Plan are included in these financial statements as an other employee benefit trust fund (a Fiduciary Fund). For the purpose of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

11) DEFINED CONTRIBUTION OTHER POST-RETIREMENT BENEFITS (OPEB) - HCSP

During the year ended June 30, 2017, the Library began the MERS Health Care Savings Program (HCSP). This is a defined contribution plan administered by MERS. All full-time employees hired after December 2013 and employees who were full time as of December 2013 who elected to waive their eligibility in the defined benefit plan are eligible for the plan after completing 90 days of service. The plan provides that the Library will contribute 5 % of eligible employees' gross wages to the plan. Employees participating in the plan are required to contribute 3 % of gross wages.

During the year ended June 30, 2022, the Library made contributions of approximately \$93,000, and the plan members contributed approximately \$55,000 to the plan. Forfeitures during 2022 were \$26,859.

12) 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 all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past year.

FARMINGTON COMMUNITY LIBRARY

Notes to Financial Statements (Continued)

June 30, 2022

12) RISK MANAGEMENT (Continued)

The Library maintains a self-insured plan for dental, optical and hearing impairment medical devices. The Library reimburses each employee for 75 % of claims up to a maximum of \$2,000 out-of-pocket expense. Therefore, the maximum cost to the Library is \$1,500 per full-time employee. Total claims expense for the year ended June 30, 2022 amounted to \$15,844. There was no liability for unpaid claims at June 30, 2022.

13) RIGHT TO USE LEASED ASSETS

The Library has recorded one equipment lease as a right to use leased asset. The right to use lease asset is amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the Library for the year ended June 30, 2022 is included in the capital assets schedule at Note 5.

The Library has entered into agreement with Toshiba to lease certain copiers. The lease agreement qualifies as other than short-term lease under GASB 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

The agreement was executed on November 3, 2020, to lease copiers and requires 63 monthly payments of \$1,100. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 2.85%. As a result of the lease, the Library has recorded a right to use asset with a net book value of \$44,292 at June 30, 2022. The right to use asset is included in the Intangible Asset section of the fixed assets schedule at Note 5.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

Year	Principal Amount	Interest Amount	Amount
2023	\$ 12,078	\$ 1,122	\$ 13,200
2024	12,427	773	13,200
2025	12,786	414	13,200
2026	7,623	72	7,695
Total	\$ 44,914	\$ 2,381	\$ 47,295

Lease liability activity for the year 2022 is as follows:

	Balance 6/30/2021	Increases	Decreases	Balance 6/30/2022	Current Portion
Lease Liability	\$ 56,652	\$ -	\$ 11,738	\$ 44,914	\$ 12,078

FARMINGTON COMMUNITY LIBRARY

Notes to Financial Statements (Continued)

June 30, 2022

14) RECONCILIATION OF GOVERNMENTAL FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The following is a reconciliation of fund balance to net position and the net change in fund balance to the net change in net position:

Total Fund Balance- Modified Accrual Basis	\$ 9,169,267
Amounts Reported in the Statement of Net Position are different because :	
Capital Assets are not Financial Resources and are not included in the funds	9,911,037
Net Pension Liability is not due and payable in the current period and not reported in the funds	(1,127,448)
Net OPEB Asset is not due and payable in the current period and is not reported in the fund	847,284
Some employee fringe benefits are payable over a period of years and do not represent a claim on current financial resources Employee compensated absences	(164,249)
Pension benefits	(563,908)
OPEB benefits	46,378
Revenues not received within 60 days are recorded as deferred inflows of resources in general fund, revenue in the statement of activities	52,330
Right to Use Lease are not Financial Resources and are not included in the funds	
Right to use assets at historical cost	56,652
Accumulated Amortization	(12,360)
Lease Liability	(44,914)
Net Position - Full Accrual Method	\$ 18,170,069
Total Net Change in Fund Balance-Modified Accrual Basis	\$ 1,460,233
Amounts Reported in the Statement of Activities are different because:	
Capital Outlays are reported as Expenditures in the Statement of Revenue, Expenditures and Changes in Fund balance; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation	
Capitalized Assets	612,257
Depreciation Expenses	(995,768)
Changes in the net pension liability and the deferred inflows/outflows related to pension are not included in the governmental funds	(88,041)
Change in net OPEB asset and the deferred inflows/outflows related to OPEB are not included in the government funds	207,125
Changes in compensated absences expense reported in the statement of activities, do not require the use of Financial Resources and therefore not reported in the fund statements until due for payment	25,804
Amortization expense for intangible assets	(12,360)
Lease liability issued	-
Principal payments on long-term debt	11,738
Revenues not received within 60 days are recorded as deferred inflows of resources in the general fund, revenue in the statement of activities	52,330
Change in Net Position-Full Accrual Method	\$ 1,273,318

15) SUBSEQUENT EVENTS

Subsequent events were evaluated through October 6, 2022, 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 SUPPLEMENTAL INFORMATION

FARMINGTON COMMUNITY LIBRARY

Required Supplemental Information Budgetary Comparison Schedule – General Fund Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUE				
Property Taxes	\$ 6,196,641	\$ 6,193,941	\$ 6,137,177	\$ (56,764)
Intergovernmental - State of Michigan	563,490	563,885	555,696	(8,189)
Memorials and Gifts	73,700	93,400	163,013	69,613
Fines and Fees	7,550	39,550	40,221	671
Investment Income	3,530	3,730	3,698	(32)
Other Income	24,145	39,525	37,107	(2,418)
Total Revenue	<u>6,869,056</u>	<u>6,934,031</u>	<u>6,936,912</u>	<u>2,881</u>
EXPENDITURES - CURRENT				
General Government:				
Salaries and Wages	2,668,800	2,494,050	2,259,288	234,762
Fringe Benefits	1,033,980	981,380	922,466	58,914
Facilities and Equipment:				
Professional Services	275,000	275,000	230,342	44,658
Repairs and Maintenance	408,500	415,500	330,367	85,133
Utilities	251,250	261,250	246,554	14,696
Principal on leased asset	-	-	11,738	(11,738)
Interest on leased asset	-	-	1,462	(1,462)
Administrative:				
TLN/Internet	30,000	36,500	24,739	11,761
Insurance	71,620	76,620	80,627	(4,007)
Automation-related Expenditures	70,000	189,000	107,008	81,992
Other Operating Expenses	267,970	309,585	299,594	9,991
Capital Outlay:				
Building and Building Improvements	300,000	320,000	229,173	90,827
Furniture and Equipment	280,525	170,525	77,631	92,894
Vehicles	1,050	1,600	1,303	297
Books, Periodicals, and Library Materials	642,435	785,435	649,460	135,975
Total Expenditures	<u>6,301,130</u>	<u>6,316,445</u>	<u>5,471,752</u>	<u>844,693</u>
Excess of Revenue Over Expenditures	<u>567,926</u>	<u>617,586</u>	<u>1,465,160</u>	<u>790,922</u>
Other Financing Sources (Uses)				
Transfers Out	(567,926)	(617,586)	(617,586)	-
Total Other Financing Sources (Uses)	<u>(567,926)</u>	<u>(617,586)</u>	<u>(617,586)</u>	<u>-</u>
Net Change in Fund Balance	-	-	847,574	790,922
Fund Balance - June 30, 2021	<u>5,054,919</u>	<u>5,054,919</u>	<u>5,054,919</u>	<u>-</u>
Fund Balance - June 30, 2022	<u>\$ 5,054,919</u>	<u>\$ 5,054,919</u>	<u>\$ 5,902,493</u>	<u>\$ 790,922</u>

FARMINGTON COMMUNITY LIBRARY

F ii Schedule of Changes in the Net Pension For the Eiq

	2021	2020	2019	2018	2017	
Total Pension Liability						
Service Cost	\$ 19,807	\$ 18,659	\$ 29,352	\$ 45,101	\$ 43,411	\$
Interest	743,582	696,866	702,172	697,226	684,396	
Differences between Expected and Actual Experience	(10,057)	105,807	120,844	42,265	110,296	
Changes of Assumptions	304,826	560,322	278,720	-	-	
Benefit Payments, Including Refunds of Contributions	(776,125)	(758,928)	(708,258)	(721,532)	(635,651)	
Net Change in Total Pension Liability	282,033	622,726	422,830	63,060	202,452	
Total Pension Liability - Beginning of Year	10,162,143	9,539,417	9,116,587	9,053,527	8,851,075	
Total Pension Liability - End of Year	\$ 10,444,176	\$ 10,162,143	\$ 9,539,417	\$ 9,116,587	\$ 9,053,527	\$
Plan Fiduciary Net Position						
Contributions - Employer	\$ 138,198	\$ 79,128	\$ 244,380	\$ 12,420	\$ -	\$
Contributions - Employee	4,543	5,839	10,896	14,852	14,354	
Net Investment Income (Loss)	1,201,488	999,125	1,051,965	(327,107)	1,088,833	
Administrative Expense	(13,786)	(16,494)	(18,142)	(16,775)	(17,297)	
Benefit Payments, Including Refunds of Contributions	(776,125)	(758,928)	(708,258)	(721,532)	(635,651)	
Net Change in Plan Fiduciary Net Position	554,318	308,670	580,841	(1,038,142)	450,239	
Plan Fiduciary Net Position - Beginning of Year	8,762,410	8,453,740	7,872,899	8,911,041	8,460,802	
Plan Fiduciary Net Position - End of Year	\$ 9,316,728	\$ 8,762,410	\$ 8,453,740	\$ 7,872,899	\$ 8,911,041	\$
Library's Net Pension Liability Ending	\$ 1,127,448	\$ 1,399,733	\$ 1,085,677	\$ 1,243,688	\$ 142,486	\$
Plan Fiduciary Net Position as a % of Total Pension Liability	89.21%	86.23%	88.62%	86.36%	98.43	
Covered Payroll	223,118	182,334	272,121	413,991	401,541	
Library's Net Pension Liability as a % of Covered Payroll	505.31%	767.68%	398.97%	300.41%	35.48%	

The table is being built prospectively from adoption of GASB 68. GASB effective date is June 2014.

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	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Contribution	\$ 138,198	\$ 79,128	\$ 41,358	\$ 12,420	\$ -	\$ -	\$ 96,492
Actual contribution in relation to the actuarially determined contribution	138,198	79,128	244,380	12,420	-	-	1,994,567
Contribution Surplus (Deficiency)	\$ -	\$ -	\$ 203,022	\$ -	\$ -	\$ -	\$ 1,898,075
Covered Payroll	\$ 223,118	\$ 182,334	\$ 272,121	\$ 413,991	\$ 401,541	\$ 442,696	\$ 468,661
Contributions as a % of Covered Payroll	61.94%	43.40%	89.81%	3.00%	0%	0%	425.59%

Notes to Schedule:

Actuarial valuation information relative to the determination of contributions:

Valuation date: Actuarially determined contribution rates are calculated as of December 31, 2019, six months prior to the end of the fiscal year in which

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll, closed
Remaining amortization period:	10 years
Asset valuation method:	Five-year smoothed
Inflation:	2.50 %
Salary increases:	3.00 %
Investment rate of return:	7.35 % (net of administrative and investment expenses)
Retirement age:	50-70 years
Mortality:	The valuation incorporates fully generational mortality.

The mortality table used to project the mortality experience of non-disabled plan members is a 50% Male 5

1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%
2. The RP-2014 Employee Mortality Tables
3. The RP-2014 Juvenile Mortality Tables

For ages 0-17 the rates used are in Table 3; for ages 18-49 the rates used are in Table 2; for ages 70 and for ages 50-69 the rates are blended as follows:

- a. Age 50, use 60% of Table 2 and 40% of Table 1
- b. Age 51, use 57% of Table 2 and 43% of Table 1
- c. Age 69, use 3% of Table 2 and 97% of Table 1

The mortality table used to project the mortality experience of disabled plan members is a 50% Male - 50% Retiree Mortality Tables.

The mortality assumptions include a 10% margin for future mortality improvements, relative to the actual n Experience Study

Other Information:

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Required Supplemental Information Schedule of Changes in the Net OPEB Asset/Liability and Related Ratios Year Ended June 30

	2022	2021	2020	2019	2018
Total Pension Liability					
Interest	\$ 97,377	\$ 115,917	\$ 120,734	\$ 126,746	\$ 128,491
Differences Between Expected and Actual Experience	17,394	(184,703)	-	(79,401)	-
Changes in Actuarial Assumptions	-	(25,891)	(25,755)	22,431	-
Benefit Payments, Including Refunds of Contributions	(170,762)	(169,615)	(157,960)	(153,367)	(153,452)
Net Change in Total Pension Liability	(55,991)	(264,292)	(62,981)	(83,591)	(24,961)
Total Pension Liability - Beginning of Year	1,476,485	1,740,777	1,803,758	1,887,349	1,912,310
Total Pension Liability - End of Year	\$ 1,420,494	\$ 1,476,485	\$ 1,740,777	\$ 1,803,758	\$ 1,887,349
Plan Fiduciary Net Position					
Contributions - Employer	\$ 170,762	\$ 169,615	\$ 157,960	\$ 193,367	\$ 194,614
Net Investment Income (Loss)	(203,748)	544,146	44,203	54,044	127,350
Administrative Expense	(4,441)	(4,002)	(3,468)	-	-
Benefit Payments, Including Refunds of Contributions	(170,762)	(169,615)	(157,960)	(153,367)	(153,452)
Other	-	-	-	(3,849)	(4,176)
Net Change in Plan Fiduciary Net Position	(208,189)	540,144	40,735	90,195	164,336
Plan Fiduciary Net Position - Beginning of Year	2,475,967	1,935,823	1,895,088	1,804,893	1,640,557
Plan Fiduciary Net Position - End of Year	\$ 2,267,778	\$ 2,475,967	\$ 1,935,823	\$ 1,895,088	\$ 1,804,893
Library's Net Pension Liability Ending	\$ (847,284)	\$ (999,482)	\$ (195,046)	\$ (91,330)	\$ 82,456
Plan Fiduciary Net Position as a % of Total Pension Liability	159.65%	167.69%	111.20%	105.06%	95.63%
Covered Employee Payroll	-	-	-	-	-

The table is being built prospectively from adoption of GASB 75. GASB effective date is for fiscal years beginning after June 15, 2017.

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Required Supplemental Information Schedule of OPEB Contributions Year Ended June 30

	2022	2021	2020	2019	2018
Actuarially Determined Contribution (ADC)	\$ -	\$ -	\$ -	\$ 6,645	\$ 41,162
Actual contribution in relation to the actuarially determined contribution	<u>170,762</u>	<u>169,615</u>	<u>157,960</u>	<u>193,367</u>	<u>194,614</u>
Contribution Surplus (Deficiency)	<u>\$ 170,762</u>	<u>\$ 169,615</u>	<u>\$ 157,960</u>	<u>\$ 186,722</u>	<u>\$ 153,452</u>
Covered Employee Payroll	\$ -	\$ -	\$ -	\$ -	\$ -

The table is being built prospectively from adoption of GASB 75. GASB effective date is for fiscal years beginning after June 15, 2017.

Notes to Schedule:

Actuarial valuation information relative to the determination of contributions:

Valuation date: Actuarially determined contribution rates are calculated as of June 30, 2021

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal
Amortization method:	Level dollar (closed plans) or level percentage of pay (open plans) over a closed 30-year period
Remaining amortization period:	30 years
Asset valuation method:	Five-year smoothed
Inflation:	2.50 %
Healthcare cost trend rates	5.75% initially, then annually reduced by .25% to 4.5% in 6 years
Salary increases:	N/A, no active participants
Investment rate of return:	7.00 %
Retirement age:	65 years
Mortality:	1. Healthy retirees. Pub-2010 General Retiree mortality table scaled by 106%, for males and females.
	2. Future mortality improvements using Scape MP-2019 projected fully-generationally from the central year of data, 2010.
Other Information:	None

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Required Supplemental Information Schedule of OPEB Investment Returns Last Ten Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	-8.24%	13.39%	13.35%	-4.04%	13.20%	10.58%	-1.23%	6.33%

Years 2012 - 2014 not available

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, 2022 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 library's board and the Farmington Community Library is included in the required supplemental information.

2) PENSION

Changes in Assumptions - Pension

Effective February 17, 2022, the MERS Retirement Board adopted a dedicated gains policy that automatically adjusts the assumed rate of investment return by using excess asset gains to mitigate large increases in required contributions to the Plan. As a result, the actuary adjusted the assumed annual investment rate of return from 7.60% to 7.25% year, as of the end of year. The investment interest used in calculation of investment income is 7.25% (7.00% plus .25% admin fee), which was the rate at the beginning of the measurement year. This change is effective for contributions beginning in 2022.

- In the 2015 actuarial valuation, the mortality assumptions were adjusted from the 2014 actuarial valuation to reflect longer lifetimes, and the investment rate of return decreased from 8.25% to 8.00%.
- In the 2019 actuarial valuation, the discount rate and expected investment return assumptions decreased from 8.00% to 7.60% (net of investment expenses), and the wage inflation rate decreased from 3.75% to 3.00%.
- In the 2020 actuarial valuation, the mortality tables used were updated from the RP-2014 mortality tables to the Pub-2010 mortality tables; salary increase ranges changed from 3.00% - 14.00% to 3.00% – 9.70%, including inflation; and new final average compensation load assumptions were adopted.
- In the 2021 actuarial assumption, the discount rate and expected investment return assumptions decreased from 7.60% to 7.25% (net of investment expenses).

Changes in Assumptions – OPEB

During the year ended June 30, 2021, the actuary modified some assumptions, though changes did not affect the measurement of the total OPEB liability.

2) PENSION (Continued)

Changes in Assumptions – OPEB (Continued)

The Municipal Bond Rate decreased from 2.18% to 4.09%. However, this did not impact the actuarial valuation results as contributions are expected to be sufficient to pay benefits from the trust.

The Minimum Rate decreased from 2.20% to 2.16%. However, this did not impact the actuarial valuation results as contributions are expected to be sufficient to pay benefits from the trust.

During the year ended June 30, 2019, the actuary modified significant assumptions that affect the measurement of the total OPEB liability. The mortality tables used were updated from RP-2014 to Pub-2010 mortality tables. The generational project scale on the mortality tables was updated from the MP-2018 to the MP-2019. The estimated impact of Healthcare Reform was removed from that valuation.

There were no changes in actuarial methods since the prior valuation.