Auburn Hills Public Library

Financial Statements

December 31, 2021

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Independent Auditors' Report

To the Library Board of Trustees
Auburn Hills Public Library
Auburn Hills, Michigan

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Auburn Hills Public Library's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Auburn Hills Public Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Auburn Hills Public Library's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and Other Postemployment Benefit schedules, 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.

Prior Year Information

Other auditors have previously audited, in accordance with auditing standards generally accepted in the United States of America, the Library's basic financial statements for the year ended December 31, 2020, which are not presented with the accompanying financial statements and the other auditors expressed unmodified opinions on the respective financial statements of the governmental activities and the major fund. That audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Library's basic financial statements as a whole.

Yeo & Yeo, P.C.

Auburn Hills, MI
June 21, 2022

Auburn Hills Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2021

The management's discussion and analysis of Auburn Hills Public Library's (the "Library") financial performance provides an overview of the Library's financial activities for the fiscal year ended December 31, 2021. Please read it in conjunction with the Library's financial statements.

Financial Highlights

The Library completed several updates to its facilities during 2021, including new carpet and paint in the Reading Room, restoring the staircase banister, new staircase carpet and a new phone system.

The Library Board initially allocated $24,000 to Building Maintenance in the 2021 budget and an additional $15,000 in Equipment Under $5,000 for the phone system. The staircase carpet and railing were added on in 2021 and came to about $13,000. This brought the 2021 projects to an estimated $52,000.

Using This Annual Report

This annual report consists of three parts: (1) management's discussion and analysis (this section), (2) the basic financial statements, and (3) required supplementary information. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The basic financial statements include information that presents two different views of the Library:

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These fund financial statements focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustments column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method of accounting.
- The third column presents the Library's operations on a full accrual basis, which provides both long- and short-term information about the Library's overall financial status. The statement of net position and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances.

Condensed Financial Information

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 of resources by $1,388,024 at the close of the most recent fiscal year. The following tables show key financial information in a condensed format for the government-wide statement of net position and the statement of activities:

The Library's Net Position

	2021	2020
Assets		
Current and other assets	$ 3,211,054	$ 2,505,556
Capital assets, net of accumulated depreciation	376,523	364,702
Total assets	3,587,577	2,870,258
Deferred Outflows of Resources	33,881	60,151
Liabilities		
Current liabilities	60,398	53,537
Noncurrent liabilities:	124,289	470,920
Total liabilities	184,687	524,457
Deferred Inflows of Resources		
Property taxes levied for a subsequest period	1,764,179	1,245,076
Deferred amount related to net OPEB liability	284,568	-
Total deferred inflows of resources	2,048,747	1,245,076
Net Position		
Net investment in capital assets	376,523	364,702
Unrestricted	1,011,501	796,174
Total net position	$ 1,388,024	$ 1,160,876

The Library's Changes in Net Position

	2021	2020
Revenues		
Property taxes	$ 1,185,807	$ 1,147,103
State shared revenue and grants	302,078	267,420
Interest income	-	25,292
Other revenue	19,669	19,377
Total revenue	1,507,554	1,459,192
Expenses		
Administrative	300,002	293,511
Salaries and wages	563,153	560,297
Fringe benefits	37,739	193,914
Supplies	24,661	51,889
Maintenance	61,230	21,286
Other	37,039	29,261
Insurance	13,836	11,985
Computer charges	28,964	31,965
Contracted services	78,726	80,156
Depreciation	113,244	142,337
Loss on disposal of capital assets	21,812	-
Total expenses	1,280,406	1,416,601
Change in Net Position	$ 227,148	$ 42,591

The Library as a Whole

The Library reports a net position of $1,388,024 this year on a full accrual basis, as compared to a fund balance of $1,386,477 on the modified accrual basis of accounting.

The Library's primary source of revenue is from property taxes. For 2021, total tax collections were $1,185,807. This represents approximately 79 percent of total revenue. In addition to property taxes, the Library receives intergovernmental revenue from the State, the largest of which is from the Local Community Stabilization Authority, which totaled approximately $246,000 in 2021.

Salaries and administrative costs are the largest overall expenditures of the Library. For 2021, this expenditure was $863,155, representing approximately 67 percent of the Library's total expenditures.

Total expenses on a full accrual basis for the entire year increased from $1,416,601 in 2020 to $1,280,406 in 2021.

The Library's Fund

Our analysis of the Library's General Fund is included on pages 3-1 to 3-3 in the first column of the respective statements. The fund column provides detailed information about the General Fund on a modified accrual method, which is a short-term perspective measuring the flow of financial resources, not the Library's operations on a full accrual basis of accounting, which provides a longer-term measurement of total economic resources. The Library's only fund is the General Fund. The fund balance of the General Fund increased approximately $114,000 for the year.

Capital Assets and Debt Administration

At the end of the year, the Library had approximately $377,000 invested in furniture, equipment, leasehold improvements, books, and materials. The Library added approximately $91,000 in new collection items, consisting mainly of books, video materials, audio books, and music CDs.

It should be noted that the Library's building itself is an asset of the City of Auburn Hills, Michigan and, therefore, does not appear as an asset of the Library. The Library had approximately $124,000 of long-term liabilities. This represents an estimate of the Library's liability for compensated absences and other postemployment benefits.

Economic Factors and Next Year's Budget

For 2022 the Library Board approved to spend an estimated $130,000 for building improvement and new furniture for the Circulation Department renovation.

Contacting the Library's Management

If you have questions about this report or need additional information, we welcome you to contact the director, Lawrence Marble, at 248-364-6705 or via email at marblel@ahplibrary.org.

Auburn Hills Public Library
Governmental Fund Balance Sheet / Statement of Net Position
December 31, 2021

	General Fund Modified Accrual Basis	Adjustments (Note 11)	Statement of Net Position
Assets			
Cash and cash equivalents	$ 546,050	$ -	$ 546,050
Investments	793,482	-	793,482
Taxes receivable	1,764,179	-	1,764,179
Due from other governments	87,420	-	87,420
Prepaid items	19,923	-	19,923
Capital assets, net of accumulated depreciation	-	376,523	376,523
Total assets	3,211,054	376,523	3,587,577
Deferred Outflows of Resources			
Deferred amount related to net OPEB liability	-	33,881	33,881
Total assets and deferred outflows of resources	$ 3,211,054	410,404	3,621,458

See Accompanying Notes to the Financial Statements

Auburn Hills Public Library
Governmental Fund Balance Sheet / Statement of Net Position
December 31, 2021

	General Fund Modified Accrual Basis	Adjustments (Note 11)	Statement of Net Position
Liabilities			
Accounts payable	$ 11,826	$ -	$ 11,826
Due to other government units	311	-	311
Other liabilities	24,487	-	24,487
Accrued payroll	23,774	-	23,774
Noncurrent liabilities:			
Due within one year			
Compensated absences	-	4,240	4,240
Due in more then one year			
Compensated absences	-	33,538	33,538
Net OPEB obligation	-	86,511	86,511
Total liabilities	60,398	124,289	184,687
Deferred Inflows of Resources			
Property taxes levied for a subsequent period	1,764,179	-	1,764,179
Deferred amount related to net OPEB liability	-	284,568	284,568
Total deferred inflows of resources	1,764,179	284,568	2,048,747
Fund Balance			
Non-spendable	19,923	(19,923)	-
Unassigned	1,366,554	(1,366,554)	-
Total fund balance	1,386,477	(1,386,477)	-
Total liabilities, deferred inflows of resources, and fund balance	$ 3,211,054		
Net Position			
Net investment in capital assets		376,523	376,523
Unrestricted		1,011,501	1,011,501
Total net position		$ 1,388,024	$ 1,388,024

See Accompanying Notes to the Financial Statements

Auburn Hills Public Library

Statement of Revenues, Expenditures and Changes in Fund Balance / Statement of Activities

For the Year Ended December 31, 2021

	General Fund Modified Accrual Basis	Adjustments (Note 11)	Statement of Activities
Revenues			
Property taxes	$ 1,185,807	$ -	$ 1,185,807
State shared revenue and grants			
General state aid	18,571	-	18,571
Penal fines	37,808	-	37,808
Local Community Stabilization Authority	245,699	-	245,699
Other revenue			
Contributions and donations	2,500	-	2,500
Other revenue	17,169	-	17,169
Total revenue	1,507,554	-	1,507,554
Expenditures/expenses			
Administrative	300,002	-	300,002
Capital outlay	61,347	(61,347)	-
Salaries and wages	563,153	-	563,153
Fringe benefits	139,065	(101,326)	37,739
Supplies	110,191	(85,530)	24,661
Maintenance	61,230	-	61,230
Other	37,039	-	37,039
Insurance	13,836	-	13,836
Computer charges	28,964	-	28,964
Contracted services	78,726	-	78,726
Depreciation	-	113,244	113,244
Loss on disposal of capital assets	-	21,812	21,812
Total expenditures/expenses	1,393,553	(113,147)	1,280,406
Excess of revenue over expenditures/expenses	114,001	113,147	227,148
Fund balance / Net position - beginning of year	1,272,476	(111,600)	1,160,876
Fund balance / Net position - end of year	$ 1,386,477	$ 1,547	$ 1,388,024

See Accompanying Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

Auburn Hills Public Library (the "Library") is located in the City of Auburn Hills, Michigan (the "City"). The Auburn Hills Public Library is governed by an elected six-member board. The Library is funded primarily through a tax levy, state aid, fines, and fees. Revenue is used to operate and staff the Library. The Library facility is owned by the City of Auburn Hills, Michigan.

The accompanying basic 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 unit. Based on these criteria, there are no component units of the Library that are to be included in the reporting entity.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on *Governmental activities* are normally supported by taxes and intergovernmental revenues.

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

Measurement focus, basis of accounting, and financial statement presentation

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

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

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

The Library reports the following major governmental fund:

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

Assets, liabilities, and net position or equity

Deposits and investments – Cash includes bank deposits and on hand. Investments include amounts held in a pooled account at the City of Auburn Hills, Michigan and are stated at fair value.

Property tax revenue – Property taxes are levied on each December 1 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Library's 2020 property tax revenue was levied and collectible on December 1, 2020 and is recognized as revenue in the year ended December 31, 2021 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2020 taxable valuation of the Library totaled 1.75 million (a portion of which is abated and a portion of which is captured by the City of Auburn Hills, Michigan TIFA districts and Brownfield), on which taxes levied consisted of 0.7024 mills for operating purposes. These amounts are recognized in the General Fund financial statements as tax revenue.

Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements, when applicable.

Capital assets – Capital assets, which include property, furniture, fixtures, equipment, library books, and audiovisual materials, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial individual cost of more than $500 and an estimated useful life in excess of one year. 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.

Capital assets are depreciated using the straight-line method over the following useful lives:

Leasehold improvements	15 years
Furniture, fixtures and equipment	5 to 10 years
Library books and audiovisual materials	5 years

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

In addition to liabilities, the statement of net position and/or 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 future periods and will not be recognized as an inflow of resources (revenue) until that time.

The Library reports the following deferred outflows and deferred inflows of resources:

	Outflows	Inflows
Deferred OPEB costs (or cost reductions)	✓	✓
Property taxes levied for the following year		✓

Other postemployment benefit costs - The Library offers retiree health care benefits to retirees. The Library records its proportionate share of a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the Auburn Hills Retiree Health Care Plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Auburn Hills 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.

Compensated absences - It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Both of these are reported in the government-wide fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Net position - Net position of the Library is classified in two components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or

construction of those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital.

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.

Fund balance policies - Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The Library itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

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

At year end, the Library has neither committed nor assigned fund balance.

Use of Estimates

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

Upcoming Accounting and Reporting Changes

Statement No. 87, *Leases* increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases

and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The requirements of this Statement are effective for the fiscal year ending December 31, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements,* is based on the standards established in Statement No. 87 *Leases.* This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending December 31, 2023.

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

Note 2 - 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. The 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 that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts, commercial paper, municipal bonds, and certificates of deposit.

The Library's investment policies are in accordance with statutory authority. The Library's investments in the amount of $793,482 are commingled in a pooled account administered by the City of Auburn Hills, Michigan; therefore, separate custodial credit risk is not applicable, and the types of individual investments held by the Library inside the pool are not determinable.

Note 3 - Fair Value Measurements

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

In instances where inputs used to measure fair value fall into different levels in the above 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 or liability.

The Library has the following recurring fair value measurements as of December 31, 2021:

Commingled investments in a pooled account administered by the City of Auburn Hills, Michigan of $793,482 are valued using the Library's percentage of the total investments in the pooled account (Level 2 investment). All investments held in the pooled account administered by the City of Auburn Hills, Michigan are Level 1 or 2 investments.

Note 4 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Leasehold improvements	$ 67,259	$ 21,813	$ -	$ 89,072
Library books and audio/visual materials	699,557	90,990	85,438	705,109
Office furnishings	549,119	34,074	28,563	554,630
Total capital assets being depreciated	1,315,935	146,877	114,001	1,348,811
Accumulated depreciation:				
Leasehold improvements	10,056	10,057	-	20,113
Library books and audio/visual materials	646,662	51,691	85,439	612,914
Office furnishings	294,515	51,496	6,750	339,261
Less accumulated depreciation	951,233	113,244	92,189	972,288
Net capital assets being depreciated	$ 364,702	$ 33,633	$ 21,812	$ 376,523

Note 5 - Long-term Debt

Long-term debt obligations are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	$ 41,313	$ 1,101	$ 4,636	$ 37,778	$ 4,240

Note 6 - 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 any of the past three fiscal years.

Note 7 - Defined Contribution Plan

The Library participates in one of the City's defined contribution plans. The defined contribution plan was established in 1998 to provide an alternative to the defined benefit plan. The International City/County Management Association administers the plan, and the City's City Council has authority over the plan provisions and contribution requirements. This defined contribution pension plan is the only plan available to employees hired after February 1, 2000. At December 31, 2021, there were five active employee participants. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Library is required to contribute between 9 and 12 percent of total salaries. Employees may contribute up to 100 percent of their salaries, not to exceed amounts limited by statute. In accordance with these requirements, the Library contributed $32,255 during the current year, and employees contributed $12,016. Employees are vested after five years of service.

Note 8 - Other Postemployment Benefit Plan

Plan Description

The Library provides OPEB for all employees who meet eligibility requirements. The benefits are provided through the Auburn Hills Retiree Health Care Plan, a cost-sharing, multiple-employer plan administered by the Auburn Hills Retiree Health Care Plan board. The Auburn Hills Retiree Health Care Plan issues a publicly available financial report that can be obtained at www.auburnhills.org.

Benefits Provided

The Auburn Hills Retiree Health Care Plan provides health care, dental, and vision benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan. As of January 1, 2012, the plan was closed to new entrants.

Contributions

The City of Auburn Hills' City Code grants the authority to establish and amend the contribution requirements of the City and Library to the Retiree Healthcare Board. The Library has no obligation to make contributions in advance of when the insurance premiums are due for payment. Contributions to the plan from the Library were $5,859 for the year ended December 31, 2021. Employees are not required to make contributions.

Net OPEB Liability

At December 31, 2021, the Library reported a liability of $86,511 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020, which used update procedures to roll forward the estimated liability to December 31, 2021. The Library's proportion of the net OPEB liability was based on the Library's plan members as a percentage of the total plan members. At December 31, 2021, the Library's proportion was 3.2 percent, which was an increase of 0.1 percent from its proportion measured as of December 31, 2020.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2021, the Library recognized OPEB expense of $48,380.

At December 31, 2021, 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	Total to Amortize
Difference between expected and actual experience	$ 417	$ (196,083)	$ (195,666)
Changes in assumptions	33,464	-	33,464
Net difference between projected and actual earnings on plan investments	-	(88,485)	(88,485)
			-
Total	$ 33,881	$ (284,568)	$ (250,687)

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

Year ended December 31,	
2022	$ (106,241)
2023	(109,037)
2024	(20,660)
2025	(14,749)
	$ (250,687)

Actuarial Assumptions
The total OPEB liability in the December 31, 2021 actuarial valuation was determined using an investment rate of return (net of investment expenses) of 6.00 percent; a health care cost trend rate of 5.0 percent for 2021, decreasing to an ultimate rate of 4.0 percent over 54 years for pre-Medicare participants, and a health care cost trend rate of 5.0 percent for 2021, decreasing to an ultimate rate of 4.0 percent over 54 years for post-Medicare participants; and mortality rates were based on the Pub-2010 with Generational Projection per MP-2020.

Discount Rate
The discount rate used to measure the total OPEB liability was 6.00 percent. 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.

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 December 31, 2021 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 table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic bonds	26%	1.26%
Private credit	4%	6.35%
Domestic large-cap equity	21%	3.65%
Domestic small-mi-cap equity	14%	3.75%
International equity	15%	4.23%
Real estate	10%	3.57%
Alternative investments	10%	2.90%

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

The following presents the net OPEB liability of the Library, calculated using the discount rate of 6.00%, as well as what the Library's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Library's proportionate share of the net OPEB liability of the Auburn Hills Retire Health Care Plan	$ 245,019	$ 86,511	$ (42,560)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the Library, calculated using the health care cost trend rates as described above, as well as what the Library's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Library's proportionate share of the net OPEB liability of the Auburn Hills Retire Health Care Plan	$ (57,480)	$ 86,511	$ 264,776

Assumption Changes

- The single discount rate remained at 6.00 percent.
- Mortality rates were based on the Pub-2010 with Generational Projection per MP-2020 for December 31, 2021. For the December 31, 2020 valuation, the RP-2014 with Generational Mortality Scale MP-2019 table was used.
- The expected long-term rate of return remained at 6.00 percent.
- The health care cost trend rate was updated from 5.3 percent for 2020, decreasing to an ultimate rate of 4.0 percent over 55 years for pre-Medicare participants, and a health care cost trend rate of 5.6 percent for 2020, decreasing to an ultimate rate of 4.3 percent over 55 years for post-Medicare participants. For December 31, 2021, the health care cost trend rate was updated to 5.0 percent for 2021, decreasing to an ultimate rate of 4.0 percent over 54 years for pre-Medicare participants and a health care cost trend rate of 5.0 percent for 2021, decreasing to an ultimate rate of 4.0 percent over 54 years for post-Medicare participants.

Note 9 - Related Party Transactions

Lease/Services Agreement

On November 21, 2016, the Library and the City of Auburn Hills, Michigan entered into an agreement for building rent and administrative services for the period from January 1, 2017 through December 31, 2021. The base fee was $274,372, with the fee to be increased annually by the inflation rate established by the city assessor. For the year ending December 31, 2021, the Library paid $296,315 to the City of Auburn Hills, Michigan.

On November 15, 2021, the Library and the City of Auburn Hills, Michigan entered into an agreement for building rent and administrative services for the period from January 1, 2022 through December 31, 2031. The base fee is $297,180, with the fee to be increased annually by 4%. Future payments are scheduled as follows:

Year ended December 31,	
2022	$ 297,180
2023	309,067
2024	321,430
2025	334,287
2026	347,659
2027-2031	1,521,561
	$ 3,131,184

Note 10 - Tax Abatements

The Library receives reduced property tax revenue as a result of tax abatement agreements granted by the City of Auburn Hills, Michigan. The tax abatement agreements include the following:

The City uses the New Facility Industrial Facilities Exemption Certificate (IFEC) to enter into agreements with local businesses for industrial real property and land improvements, other than a replacement facility to be built or installed in a plant rehabilitation district or industrial development district by an existing new business or new business, as provided in Public Act (PA) 198 of 1974. For the fiscal year ended December 31, 2021, the Library's property tax revenue was reduced by approximately $42,114 under this program.

There are no abatements entered into by the Library itself.

Note 11 - Reconciliation of Fund Financial Statements to Government-wide Financial Statements

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

The following are reconciliations of fund balance to net position:

Fund balance - modified accrual basis	$ 1,386,477
Amounts report in the statement of net position are different because:	
Capital assets are not financial resources and are not reported in the fund	376,523
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(37,778)
Retiree health care benefits	(337,198)
Net position - full accrual basis	$ 1,388,024

The following are reconciliations of the net change in fund balance to the net change in net position:

Net change in fund balance as reported in Governmental Funds	$	114,001
Amounts reported in the statement of activities are different because:		
Capital outlays are reported as expenditures in the statement of revenues, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated lives as depreciation		
Capital outlay		146,877
Depreciation		(113,244)
Disposal of capital assets (net book value)		(21,812)
Some employee costs (OPEB and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds		101,326
Change in net position of Governmental Activities	$	227,148

Auburn Hills Public Library
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2021

	Budgeted Amounts			Actual Over (Under) Final
	Original	Final	Actual	Budget
Revenues				
Property taxes	$ 1,176,493	$ 1,176,493	$ 1,185,807	$ 9,314
State shared revenue and grants				
General state aid	16,000	16,000	18,571	2,571
Penal fines	41,000	36,000	37,808	1,808
Local Community Stabilization Authority	97,299	242,741	245,699	2,958
Other revenue				
Contributions and donations	4,000	4,000	2,500	(1,500)
Other revenue	24,000	11,000	17,169	6,169
Total revenue	1,358,792	1,486,234	1,507,554	21,320
Expenditures				
Administrative	326,147	296,315	300,002	3,687
Capital outlay	37,454	78,454	61,347	(17,107)
Salaries and wages	585,556	585,556	563,153	(22,403)
Fringe benefits	156,872	156,872	139,065	(17,807)
Supplies	112,500	112,500	110,191	(2,309)
Maintenance	48,000	59,500	61,230	1,730
Other	30,170	40,170	37,039	(3,131)
Insurance	16,757	16,757	13,836	(2,921)
Computer charges	32,000	32,000	28,964	(3,036)
Contracted services	73,000	82,500	78,726	(3,774)
Total expenditures	1,418,456	1,460,624	1,393,553	(67,071)
Net change in fund balance	(59,664)	25,610	114,001	(88,391)
Fund balance - beginning of year	1,272,476	1,272,476	1,272,476	-
Fund balance - end of year	$ 1,212,812	$ 1,298,086	$ 1,386,477	$ (88,391)

See Accompanying Notes to Required Supplementary Information

Auburn Hills Public Library
Required Supplementary Information
Schedule of the Library's Proportionate Share of the Net OPEB Liability
Auburn Hills Retiree Health Care Plan

Fiscal year ended December 31,	2021	2020	2019	2018	2017
Library's proportion of the net OPEB liability	3.22373%	3.09201%	2.56916%	2.65668%	1.07246%
Library's proportionate share of the net OPEB liability	$ 86,511	$ 429,607	$ 417,070	$ 465,980	$ 172,728
Library's covered-employee payroll	50,892	52,950	50,369	49,298	48,370
Library's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	169.99%	811.34%	828.03%	945.23%	357.10%
Plan fiduciary net position as a percentage of total OPEB liability	92.27%	66.44%	58.67%	51.31%	52.86%

See Accompanying Notes to Required Supplementary Information

Auburn Hills Public Library
Required Supplementary Information
Schedule of OPEB Contributions
Auburn Hills Retiree Health Care Plan

Fiscal Year Ending December 31,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Excess (Deficiency)
2012	$ 18,186	$ 18,186	$ -
2013	11,621	11,621	-
2014	8,256	8,256	-
2015	6,830	6,830	-
2016	8,610	8,610	-
2017	9,690	9,690	-
2018	15,509	15,509	-
2019	12,015	12,015	-
2020	9,637	9,637	-
2021	5,859	5,859	-

See Accompanying Notes to Required Supplementary Information

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year end. The annual budget is prepared by the library director during August for the next fiscal year. The budget is presented to the library board in September for adoption. Subsequent amendments are approved by the library board.

The budget has been adopted for the Library's activity in total; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget, as prepared by the library board, is included in the subtotals for total revenue and total expenditures. The remaining budget-to-actual detail is used to provide additional analysis for management purposes.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds
During the year, the Library did not have any budget variances at the level the expenditures were adopted and budgeted.

OPEB Information

Changes in Assumptions

1. The long-term assumed rate of return was 6.57 percent in 2017, 6.50 percent in 2018, 6.25 percent in 2019, 6.00 percent in 2020, and 6.00 percent in 2021.

2. The mortality tables have been updated annually:
   2017: RP-2014 with Generational Mortality Scale MP-2016
   2018: RP-2014 with Generational Mortality Scale MP-2017
   2019: RP-2014 with Generational Mortality Scale MP-2018
   2020: Pub-2010 with Generational Projection per MP-2019
   2021: Pub-2010 with Generational Projection per MP-2020

3. The single discount rate was 6.57 percent in 2017, 6.50 percent in 2018, 6.25 percent in 2019, 6.00 percent in 2020, and 6.00 percent in 2021.

4. Health care cost trend rates have been updated as follows:
   2020: The health care cost trend rate was 5.3 percent for 2020, decreasing to an ultimate rate of 4.0 percent over 55 years for pre-Medicare participants, and a health care cost trend rate of 5.6 percent for 2020, decreasing to an ultimate rate of 4.3 percent over 55 years for post-Medicare participants.

   2021: The health care cost trend rate was 5.0 percent for 2021, decreasing to an ultimate rate of 4.0 percent over 54 years for pre-Medicare participants, and a health care cost trend rate of 5.0 percent for 2021, decreasing to an ultimate rate of 4.0 percent over 54 years for post-Medicare participants.