



**HARTFORD PUBLIC LIBRARY
VANBUREN COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hartford Public Library
Hartford, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Hartford Public Library (the "Library"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Library, as of December 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Required Supplementary Information

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

on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, Michigan
March 1, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Hartford Public Library
Management's Discussion and Analysis
December 31, 2023**

As management of the Hartford Public Library (the "Library"), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended December 31, 2023. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

- The assets of the Library exceeded its liabilities and deferred inflows of resources at the close of this fiscal year by \$2,907,035 (*net position*). Of this amount, \$388,987 represents unrestricted net position, which may be used to meet the Library's ongoing obligations to citizens and creditors.
- During the year, the Library received \$291,443 of revenues and incurred \$340,948 of expenses, resulting in a decrease in net position of \$49,505.
- The general fund increased its fund balance by \$36,561 during the year for an ending fund balance of \$388,987.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$388,987, or 152.6% of the general fund's total annual expenditures.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the Library's basic financial statements. The Library's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also contains other supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide a broad overview of the Library's finances, in a manner similar to a private sector business.

The *statement of net position* presents information on all of the Library's assets, deferred inflows, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position can serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The *statement of activities* presents information showing how the Library's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus,

revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., capital assets).

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Library are considered governmental funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Library's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Library maintains two governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and the library building fund.

The Library adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report further presents *required supplementary information* showing the Library's compliance with its budget.

Government-wide Overall Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Library, assets exceeded liabilities and deferred inflows of resources by \$2,907,035 at the close of the most recent fiscal year.

Hartford Public Library's Net Position

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 444,045	\$ 405,353
Taxes Receivable	205,197	192,815
Other Receivables	3,062	1,342
<i>Total Current Assets</i>	<u>652,304</u>	<u>599,510</u>
Noncurrent Assets		
Capital Assets being Depreciated	2,471,964	2,558,030
<i>Total Assets</i>	<u>3,124,268</u>	<u>3,157,540</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	5,939	3,302
Payroll Liabilities	6,097	4,883
<i>Total Liabilities</i>	<u>12,036</u>	<u>8,185</u>
DEFERRED INFLOWS OF RESOURCES		
Taxes Levied for a Subsequent Period	205,197	192,815
<i>Total Deferred Inflows of Resources</i>	<u>205,197</u>	<u>192,815</u>
NET POSITION		
Investment in Capital Assets	2,471,964	2,558,030
Restricted	46,084	46,084
Unrestricted	388,987	352,426
<i>Total Net Position</i>	<u>\$ 2,907,035</u>	<u>\$ 2,956,540</u>

A significant portion of the Library's net position (\$2,471,964, or 85.0%) reflects its investment in capital assets (e.g., land, buildings and improvements, equipment and furniture, and library books). The Library uses these capital assets to provide a variety of services to its patrons. Accordingly, these assets are not available for future spending. Another portion, \$46,084, or 1.6%, of the Library's net position is restricted for capital projects. The remaining balance of \$388,987, or 13.4%, is unrestricted and may be used to meet the Library's ongoing obligations to its patrons and creditors.

At the end of the current fiscal year, the Library is able to report positive balances in all reported categories of net position and fund balance. The same situation held true for the prior fiscal year.

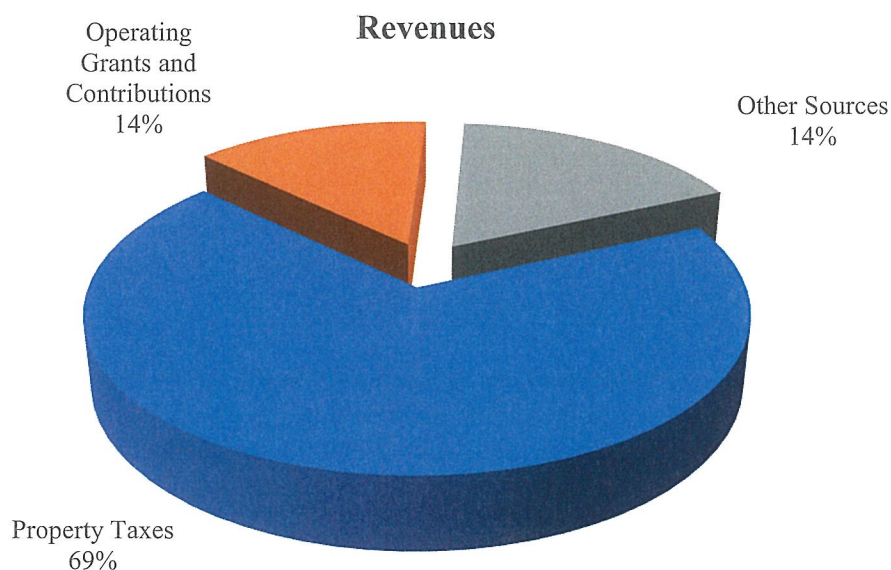
The most notable changes to the Library's assets and liabilities when comparing to the prior year are the increases in cash of \$38,692 which correlates closely with the change in fund balance. Taxes receivable increased by \$12,382 during the year mostly due to the increase of 6.42% in taxable values of the Library's service area; which corresponds with the increase in deferred inflows for taxes levied for a subsequent period. The decrease to capital assets of \$86,066 is due to the library's depreciation expense being in excess of current year additions.

Governmental Activities. During the current fiscal year, net position decreased \$49,505 from the prior fiscal year for an ending balance of \$2,907,035. Total revenues decreased by \$21,593 compared to the prior year. The vast majority, of this decrease is related to one-time capital grants that were received during fiscal year 2022 and not again in 2023.

Hartford Public Library's Changes in Net Position

	2023	2022
Revenues		
Property Taxes	\$ 200,247	\$ 176,061
Penal Fines	27,267	19,468
Intergovernmental	6,202	6,011
Charges for Services	14,782	16,851
Operating Grants and Contributions	40,466	59,199
Capital Grants and Contributions	-	34,605
Interest	2,479	841
Total Revenue	291,443	313,036
Expenses		
Recreation and Culture	340,948	342,936
Total Expenses	340,948	342,936
Change in Net Position	(49,505)	(29,900)
<i>Net Position at Beginning of Period</i>	2,956,540	2,986,440
Net Position at End of Period	\$ 2,907,035	\$ 2,956,540

The following chart summarizes the revenue sources of the Library for the most recent fiscal year-end:



Salaries, payroll taxes, and fringe benefit expenses were the largest expenses for the Library. The Library spent \$143,615 on salaries, payroll taxes, and fringe benefits, or 42.1% of the Library's expenses. Depreciation expense of \$100,532 represented 29.1% of the total expenses within the Library.

Financial Analysis of the Government's Funds

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

General Fund. The general fund is the main operating fund of the Library. The general fund increased its balance in this fiscal year by \$36,561, bringing the balance to \$388,987. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 152.6% of total general fund expenditures.

Library Building Fund. The library building fund is the capital projects fund of the Library created for the purpose of the construction of the new Library building. The fund balance for this fund remained the same as the prior year with a balance of \$46,084. This fund balance is restricted for capital projects purposes.

General Fund Budgetary Highlights

Original budget compared to final budget. There were no significant increases or decrease to the original estimated revenues or the original budgeted appropriations.

Final budget compared to actual results. The Library had no expenditures in excess of the amounts appropriated during the year ended December 31, 2023.

Capital Assets and Debt Administration

Capital Assets. The Library's investment in capital assets at year-end amounted to \$2,471,964 (net of accumulated depreciation). This is a decrease of \$86,066, or 3.4%, over the prior year. This is due to depreciation expense exceeding capital asset additions

Capital assets of the Library include any items purchased that have an expected useful life of over one year. The Library has invested in a broad range of capital assets. More information about the Library's capital assets can be found in the notes to the financial statements section of this document.

Long-term Debt. At the end of the current fiscal year, the Library had no outstanding debt.

Economic Factors and Next Year's Budgets and Rates

Taxable value of property within the Library district determines a substantial portion of operating revenue (tax revenues) raised by the Library. The overall taxable value within the district increased by 6.42% in 2023, which will result in a small increase in tax revenues for the Library's 2024 programs.

Penal fine, state aid, fundraising, and donation revenues are expected to remain stable during 2024. The Library continues to apply for grants to help increase or stabilize revenues while searching for areas to reduce overall spending.

Contacting the Library's Management

This financial report is designed to provide the wide variety of users of this document with a general overview of the Library's finances and demonstrate the Library's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to:

The Hartford Public Library
12 Church Street, P.O. Box 8
Hartford, MI 49057

BASIC FINANCIAL STATEMENTS

**Hartford Public Library
Statement of Net Position
December 31, 2023**

ASSETS

Current Assets

Cash and Cash Equivalents	\$	444,045
Taxes Receivable		205,197
Other Receivables		3,062
<i>Total Current Assets</i>		652,304

Noncurrent Assets

Capital Assets being Depreciated		2,471,964
<i>Total Assets</i>		3,124,268

LIABILITIES

Current Liabilities

Accounts Payable		5,939
Payroll Liabilities		6,097
<i>Total Liabilities</i>		12,036

DEFERRED INFLOWS OF RESOURCES

Taxes Levied for a Subsequent Period		205,197
<i>Total Deferred Inflows of Resources</i>		205,197

NET POSITION

Investment in Capital Assets		2,471,964
<i>Restricted for:</i>		
Capital Projects		46,084
<i>Unrestricted</i>		388,987
<i>Total Net Position</i>	\$	2,907,035

Hartford Public Library
Statement of Activities
For the Year Ended December 31, 2023

	Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Recreation and Culture	\$ 340,948	\$ 14,782	\$ 40,466	\$ --
<i>Total</i>	\$ 340,948	\$ 14,782	\$ 40,466	\$ --
				Net (Expense) Revenue
				\$ (285,700)
				200,247
				27,267
				6,202
				2,479
				236,195
				(49,505)
				2,956,540
				\$ 2,907,035

General Purpose Revenues:

Property Taxes	200,247
Penal Fines	27,267
Intergovernmental	6,202
Interest	2,479

Total General Revenues

Change in Net Position

Net Position at Beginning of Period

Net Position at End of Period

**Hartford Public Library
Balance Sheet
Governmental Funds
December 31, 2023**

	<u>Capital Projects</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Library Building (Nonmajor)</u>	
ASSETS			
Cash and Cash Equivalents	\$ 397,961	\$ 46,084	\$ 444,045
Taxes Receivable	205,197	--	205,197
Other Receivables	3,062	--	3,062
<i>Total Assets</i>	<u>\$ 606,220</u>	<u>\$ 46,084</u>	<u>\$ 652,304</u>
LIABILITIES			
Accounts Payable	\$ 5,939	\$ --	\$ 5,939
Payroll Liabilities	6,097	--	6,097
<i>Total Liabilities</i>	12,036	--	12,036
DEFERRED INFLOWS OF RESOURCES			
Taxes Levied for a Subsequent Period	205,197	--	205,197
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>217,233</u>	<u>--</u>	<u>217,233</u>
FUND BALANCE			
Restricted	--	46,084	46,084
Unassigned	388,987	--	388,987
<i>Total Fund Balance</i>	<u>388,987</u>	<u>46,084</u>	<u>435,071</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 606,220</u>	<u>\$ 46,084</u>	<u>\$ 652,304</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Hartford Public Library
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2023

Total Fund Balance - Governmental Funds	\$ 435,071
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This amount represents capital assets of \$2,865,613, net of accumulated depreciation of \$393,649.	2,471,964
Total Net Position-Governmental Activities	\$ <u>2,907,035</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Hartford Public Library
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2023

	<u>Capital Projects</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Library Building (Nonmajor)</u>	
Revenues			
Property Taxes	\$ 200,247	\$ --	\$ 200,247
Penal Fines	27,267	--	27,267
Grants	2,844	--	2,844
Intergovernmental	6,202	--	6,202
Local Revenue Sharing	22,819	--	22,819
Interest	2,479	--	2,479
Donations	14,803	--	14,803
Other	14,782	--	14,782
<i>Total Revenues</i>	<u>291,443</u>	<u>--</u>	<u>291,443</u>
Expenditures			
Salaries and Wages	129,936	--	129,936
Payroll Taxes	9,854	--	9,854
Fringe Benefits	3,825	--	3,825
Books and Materials	28,536	--	28,536
Utilities and Telephone	17,441	--	17,441
Repairs and Maintenance	4,655	--	4,655
Insurance	9,655	--	9,655
Professional Fees	4,900	--	4,900
Contracted Services	21,869	--	21,869
Supplies	9,299	--	9,299
Reading Programs	12,529	--	12,529
Training and Transportation	1,352	--	1,352
Miscellaneous	1,031	--	1,031
<i>Total Expenditures</i>	<u>254,882</u>	<u>--</u>	<u>254,882</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>36,561</u>	<u>--</u>	<u>36,561</u>
<i>Net Change in Fund Balance</i>	<u>36,561</u>	<u>--</u>	<u>36,561</u>
<i>Fund Balance at Beginning of Period</i>	352,426	46,084	398,510
<i>Fund Balance at End of Period</i>	<u>\$ 388,987</u>	<u>\$ 46,084</u>	<u>\$ 435,071</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Hartford Public Library
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended December 31, 2023

Total Net Change in Fund Balances - Governmental Funds	\$ 36,561
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents capital outlay expenditures of \$14,466 less depreciation expense of \$100,532.	(86,066)
Changes in Net Position - Governmental Activities	<u>\$ (49,505)</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

NOTES TO FINANCIAL STATEMENTS

Hartford Public Library

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Hartford Public Library (the "Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements. The following is a summary of the significant policies.

Reporting Entity

The Library is a district library located in the City of Hartford, Michigan and is governed by an appointed board. The City of Hartford and Hartford Township each appoints three members to the Board. The Library provides services to the residents of the City of Hartford and Hartford Township. Services are also provided to a portion of Bangor and Keeler Townships. The Library is primarily financed through tax levies, fines, state aid, local revenue sharing, and donations. The revenue is used to staff and operate the Library.

Government-wide and Fund Financial Statements

The government-wide financial statements (e.g., the statement of position and the statement of activities) report information on all of the non-fiduciary activities of the Library. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Library only has governmental activities.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: 1) charges to Library patrons 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 meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues, and are reported instead as general revenue.

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: 1) investment in capital assets, 2) restricted net position, and 3) unrestricted net position.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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.

Hartford Public Library

Notes to the Financial Statements

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

Intergovernmental revenue, charges for services, and interest 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 one major governmental fund. The *general fund* is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund. The *library building fund* is a nonmajor capital project fund that reports the expenditures associated with the new library building projects. Revenues are generated from capital contributions.

Cash

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments, if any, with original maturities of three months or less from date of acquisition.

Capital Assets

Capital assets are defined by the Library as assets with an estimated useful life in excess of one year and a cost of \$250 or more. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at the acquisition value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance that do not add to the value of the asset or materially extend assets lives are expenses as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Description	Years
Buildings and Improvements	10 - 40
Furniture and Fixtures	10
Computers and Office Equipment	5
Library Collections	8

Hartford Public Library

Notes to the Financial Statements

Property Taxes Receivable and Deferred Inflows of Resources

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on December 1st based on the taxable valuation of the property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year. The Townships and City bill and collect the property taxes.

The 2022 and 2023 state taxable value for real/personal property of the Library totaled approximately \$127,027,420 and \$135,184,564, respectively.

The ad valorem taxes levied consisted of 1.5179 mills for operations for 2023 and 2022.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Both the government-wide and fund financial statements report taxes levied for a subsequent period in connection with revenue that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the taxes levied for a subsequent period was \$205,197, which represent the 2023 tax levy funds. Taxes receivable of \$205,197 represents the remaining amount of the 2023 tax levy funds that will be collected during the next fiscal year.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. For new bond issuances of governmental funds after the implementation of GASB Statement No. 34, bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are treated as a current period expense.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position Flow Assumption

Sometimes the Library will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Hartford Public Library

Notes to the Financial Statements

Fund Balance Flow Assumption

Sometimes the Library will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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. Governmental funds report *nonspendable fund balance* for 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 fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government 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 government's highest level of decision making authority. The Library Board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption 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 can assign fund balance, through a resolution, 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.

Unassigned fund balance is the residual classification for the Library's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Library Board.

Hartford Public Library

Notes to the Financial Statements

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Stewardship, Compliance and Accountability

The general fund is under formal budgetary control. The budget shown in the financial statements for this fund was prepared on the basis not significantly different from the modified accrual basis used to reflect actual results and consists only of those amounts contained in the formal budget approved and amended by the Board.

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The Library had no expenditures in excess of the amounts appropriated during the year ended December 31, 2023.

In the body of the financial statements, the Library's actual expenditures and budgeted expenditures for the budgetary fund has been shown on a line-item basis. The approved budget for this budgetary fund was adopted at the line item level.

Note 3 - Deposits and Investments

Credit risk – State statutes authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the government authorizes investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk.

The Library's funds were deposited with Honor Credit Union and Advia Credit Union. Both Credit Unions are insured by the NCUA, National Credit Union Administration. The insurance is \$250,000 each. The carrying value and NCUA insured amounts are summarized on December 31, 2023 as follows:

Hartford Public Library

Notes to the Financial Statements

	Bank Balance	Carrying Amount
Amount Insured by the NCUA	\$ 400,933	\$ 400,933
Amount Uninsured and Uncollateralized	43,590	43,112
<i>Totals</i>	\$ 444,523	\$ 444,045

Note 4 - Capital Assets

Capital asset activity of the Library for the current year was as follows:

	Beginning Balance	Additions	Disposals/ Transfers	Ending Balance
Capital Assets being Depreciated				
Buildings	\$ 2,543,198	\$ -	\$ -	\$ 2,543,198
Building Improvements	48,300	-	-	48,300
Library Collection	208,537	13,065	(23,616)	197,986
Office Equipment	72,893	-	-	72,893
Furniture and Fixtures	1,835	1,401	-	3,236
<i>Subtotal</i>	2,856,925	14,466	(23,616)	2,865,613
Accumulated Depreciation				
Buildings	149,998	63,580	-	213,578
Building Improvements	6,440	4,830	-	11,270
Library Collection	131,655	20,029	(23,616)	128,068
Office Equipment	26,805	11,720	-	38,525
Furniture and Fixtures	1,835	373	-	2,208
<i>Subtotal</i>	237,889	100,532	(23,616)	393,649
<i>Net Capital Assets Being Depreciated</i>	2,619,036	(86,066)	-	2,471,964
<i>Capital Assets, Net</i>	\$ 2,619,036	\$ (86,066)	\$ -	\$ 2,471,964

Depreciation expense was allocated to the recreation and culture function in the statement of activities.

Hartford Public Library

Notes to the Financial Statements

Note 5 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Library maintains commercial insurance coverage for each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Library. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The Library participates in the Michigan Township Participating Plan for property and general liability claims.

Note 6 - Subsequent Events

Management has evaluated subsequent events through March 1, 2024, the date the financial statements were available to be issued. Management has determined that no subsequent events have occurred that would have an impact on the financial condition of the Library.

REQUIRED SUPPLEMENTARY INFORMATION

Hartford Public Library
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended December 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) Final to Actual
Revenues				
Property Taxes	\$ 187,800	\$ 199,800	\$ 200,247	\$ 447
Penal Fines	24,000	24,000	27,267	3,267
Grants	--	--	2,844	2,844
State Sources	6,000	6,000	6,202	202
Local Revenue Sharing	24,000	24,000	22,819	(1,181)
Interest	226	226	2,479	2,253
Donations	12,000	14,040	14,803	763
Other	12,000	13,920	14,782	862
Total Revenues	<u>266,026</u>	<u>281,986</u>	<u>291,443</u>	<u>9,457</u>
Expenditures				
Salaries and Wages	126,000	132,000	129,936	2,064
Payroll Taxes	15,000	15,000	9,854	5,146
Fringe Benefits	3,600	3,900	3,825	75
Books and Materials	25,320	33,785	28,536	5,249
Utilities and Telephone	16,908	20,692	17,441	3,251
Repairs and Maintenance	1,800	5,304	4,655	649
Insurance	8,376	9,660	9,655	5
Professional Fees	3,600	4,908	4,900	8
Contracted Services	13,140	22,368	21,869	499
Supplies	7,320	10,308	9,299	1,009
Reading Programs	5,100	13,500	12,529	971
Training and Transportation	124	1,500	1,352	148
Miscellaneous	1,200	1,416	1,031	385
Total Expenditures	<u>227,488</u>	<u>274,340</u>	<u>254,882</u>	<u>19,458</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>38,538</u>	<u>7,646</u>	<u>36,561</u>	<u>28,915</u>
Net Change in Fund Balance	<u>38,538</u>	<u>7,646</u>	<u>36,561</u>	<u>28,915</u>
Fund Balance at Beginning of Period	352,426	352,426	352,426	--
Fund Balance at End of Period	<u>\$ 390,964</u>	<u>\$ 360,072</u>	<u>\$ 388,987</u>	<u>\$ 28,915</u>

March 1, 2024

To the Board of Directors
Hartford Public Library
Hartford, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Hartford Public Library, Michigan (the "Library") for the year ended December 31, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 9, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Library are described in Note 1 to the financial statements. There were no new accounting policies adopted and, the application of existing policies was not changed during the fiscal year ended December 31, 2023. We noted no transactions entered into by the Library during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Library's financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

We evaluated key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 1, 2024.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and the budgetary comparison information, which are required supplementary information (RSI) that

supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Library as of and for the year ended December 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we have identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and corrected, on a timely basis.

We consider the following deficiency to be material weakness:

2023-1 Material audit adjustments and financial statement preparation (repeat finding):

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

Condition: We identified and proposed material audit adjustments that management reviewed and approved. We also assisted management with preparing the basic financial statements and the related footnotes.

As is the case with many small and medium-sized governmental units, the Library has historically relied on its independent external auditor to assist with the preparation of the financial statements, the related notes, and the management's discussion and analysis as part of its external financial reporting process. Accordingly, the Library's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditor, who cannot, by definition, be considered part of the Library's internal controls. Having the auditor draft the annual financial statements is allowable under current auditing standards and ethical guidelines and may be the most efficient and effective method for preparation of the Library's financial statements. However, when an entity (on its own) lacks the ability to produce financial statements that conform to GAAP, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses.

Cause: This condition was caused by the Library's decision to outsource the preparation of its annual financial statements to the external auditor rather than incur the costs of obtaining the necessary training and expertise required for the Library to perform this task internally because outsourcing the task is considered more cost effective.

Effect: The Library's accounting records were initially misstated by amounts material to the financial statements. In addition, the Library lacks complete internal controls over the preparation of its financial statements in accordance with GAAP, and, instead, relies, at least in part, on assistance from its external auditor for assistance with this task.

Auditor's Recommendation: We recommend that management continue to monitor the relative costs and benefits of securing the internal or other external resources necessary to develop material adjustments and prepare a draft of the Library's annual financial statements versus contracting with its auditor for these services.

Management Response: Management has made an ongoing evaluation of the respective costs and benefits of obtaining internal or external resources, specifically for the preparation of financial statements, and has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so. Management will continue to review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

2023-02 Segregation of Incompatible Duties (new finding)

Condition: The Library has accounting functions which are performed by the same individual and are not subject to a documented independent review and approval. While conducting our audit procedures we noted that there not all invoices were properly cancelled (marked as paid) and bank reconciliations lack a documented independent review.

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

Cause: This condition is a result of the limited size of the Library's accounting staff.

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

Recommendation: While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

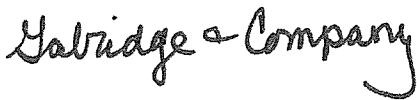
Management Response: The Library concurs with this finding. The Library will require appropriate sign-offs of a second responsible person for the key accounting functions mentioned above.

We did not audit the Library's response to the internal control finding described above and, accordingly, we express no opinion on it.

Restriction on Use

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

Very truly yours,



Gabridge & Company, PLC
Grand Rapids, MI