



MACDONALD
PUBLIC LIBRARY

**MACOMB COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
MacDonald Public Library
New Baltimore, 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 MacDonald Public Library (the "Library"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

Change in Accounting Principle

As stated in Note 9 to the basic financial statements, the Library adopted GASB Statement No. 96, *Subscription-based Information Technology Arrangements (SBITAs)* in 2023, which represents a change in its policy for reporting software subscription activities. Our opinions are not modified with respect to this matter.

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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional 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.

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with a long, sweeping underline for the word "Company".

Gabridge & Company, PLC
Grand Rapids, Michigan
December 20, 2023

Management's Discussion and Analysis

**MacDonald Public Library
Management's Discussion and Analysis
June 30, 2023**

As management of the MacDonald 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 June 30, 2023. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

- The assets and deferred outflows of the Library exceeded its liabilities and deferred inflows at the close of this fiscal year by \$369,687 (shown as *net position*). Of this amount \$302,088 (*unrestricted net position*) may be used to meet the Library's ongoing services and obligations.
- During the year, the Library received \$920,596 in revenues and incurred \$550,909 in expenses, resulting in an increase in net position of \$369,687.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$302,088, or 53% of the general fund's total expenditures.

Overview of the Financial Statements

The Library's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains required supplementary information in addition to 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 financial position. They are presented using a method of accounting that is similar to a private sector business.

The *statement of net position* presents information on all of the Library's assets, deferred inflows/outflows, and liabilities, with the difference being reported as the 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 result in cash flows in future fiscal periods (e.g., changes in capital asset activity).

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. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The Library uses fund accounting to ensure compliance with finance-related legal requirements.

Governmental Funds. The Library's basic services are reported in the governmental funds. Governmental funds 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. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments, and certain other items are treated differently than on the government-wide statements. These items are recorded in the government fund balance as expenditures. No depreciation is recorded on capital items. The balance sheet for governmental funds does not include any capital items or long-term debt. The Library has one fund, the general fund, which is a governmental 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 its budget.

Notes to the Financial Statements. The notes to the financial statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report further presents required supplementary information (RSI) that demonstrates compliance with the Library's budget.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of overall financial position. In the case of the Library, assets and deferred outflows exceeded liabilities and deferred inflows by \$369,687 as of June 30, 2023.

MacDonald Public Library's Net Position

ASSETS	2023
<i>Current Assets</i>	
Cash and cash equivalents	\$ 299,991
Accounts receivable	6,866
Other assets	2,500
Prepaid items	-
<i>Total Current Assets</i>	309,357
<i>Noncurrent Assets</i>	
Capital assets, net	67,599
<i>Total Assets</i>	376,956
LIABILITIES	
<i>Current Liabilities</i>	
Accounts payable	5,807
Accrued and other liabilities	-
Due to other government	1,462
<i>Total Current Liabilities</i>	7,269
NET POSITION	
Investment in Capital Assets	67,599
Unrestricted	302,088
<i>Total Net Position</i>	\$ 369,687

A portion of the Library's net position (\$67,599 or 18%) reflects its investment in capital assets (e.g., buildings, equipment, furniture, library books, etc.). The Library uses these capital assets to provide a variety of services to its patrons. Accordingly, these assets are not available for future spending. The remaining portion of the Library's net position (\$302,088, or 82%) is unrestricted and may be used to meet the Library's ongoing obligations to its patrons and creditors.

Cash and investments were \$299,991 at fiscal year end. Capital assets were \$67,599 at fiscal year end.

Governmental Activities. Following is a schedule showing the changes in net position of the Library for the year ended June 30, 2023:

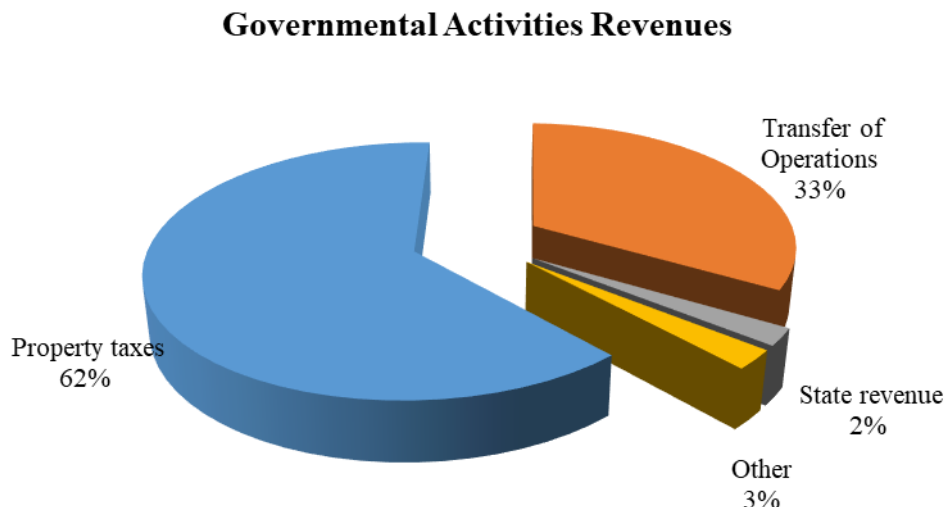
MacDonald Public Library's Changes in Net Position

	<u>2023</u>
Revenues	
Program Revenues	
Charges for services	\$ 7,022
Operating grants and contributions	<u>2,115</u>
Total Program Revenues	<u>9,137</u>
General Revenues	
Property taxes	574,786
Transfer of Operations	303,089
District Court penal fines	11,793
State revenue	20,290
Investment income (loss)	1,501
Other revenues	<u>-</u>
Total General Revenues	<u>911,459</u>
Total Revenues	<u>920,596</u>
Expenses	
Library services	<u>550,909</u>
Total Expenses	<u>550,909</u>
Change in Net Position	369,687
<i>Net Position at Beginning of Period</i>	<u>-</u>
Net Position at End of Period	<u><u>\$ 369,687</u></u>

The largest revenue source for fiscal year 2023 was property taxes (574,786 or 62%). Another portion of revenue (\$303,089 or 33%) came from the City of New Baltimore in a transfer of operations as the functions of the library separated from the City on July 1, 2022.

Governmental Activities

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



Financial Analysis of the Government's Funds

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

General Fund. The general fund is the chief operating fund of the Library. At the end of the current fiscal year, unassigned fund balance of the general fund was \$302,088. 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 53% of total general fund expenditures.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there were various budget adjustments made to the original budgeted revenue and appropriations for expenditures. None of these adjustments were significant.

Final budget compared to actual results. The Library had the following expenditures in excess of the amounts appropriated during the year ended June 30, 2023:

	Budget	Actual	Variance
General Fund			
Operating Expenditures	\$ 293,255	\$ 300,287	\$ (7,032)
Collection Development	35,500	37,621	(2,121)
Travel and Transportation	600	7,114	(6,514)
Capital Outlay	4,000	4,084	(84)
Miscellaneous	4,500	6,369	(1,869)

Capital Asset and Debt Administration

Capital Assets. The Library's investment in capital assets at year-end amounted to \$67,599 (net of accumulated depreciation). Capital assets of the Library include any items purchased that have an expected useful life of over two years and a cost of over \$1,000. More information about the Library's capital assets can be found in the notes to the financial statements section of this document.

Economic Factors and Next Year's Budgets and Rates

Library Administration estimates that general fund revenues will be appropriated in the general fund in alignment with the fiscal year ended June 30, 2023 in the upcoming budget for FY 2023 - 2024. The Library continues to review all budget line items for opportunities to reduce expenditures when possible and the budget will be monitored during the year to identify any necessary amendments.

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:

MacDonald Public Library
36480 Main Street
New Baltimore, Michigan 48047

Basic Financial Statements

MacDonald Public Library
Statement of Net Position
June 30, 2023

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 299,991
Accounts Receivable	6,866
Other Assets	2,500
Total Current Assets	309,357

Noncurrent Assets

Capital Assets being depreciated	67,599
Total Assets	376,956

LIABILITIES

Current Liabilities

Accounts Payable	5,807
Due to Other Governments	1,462
Total Liabilities	7,269

NET POSITION

Investment in Capital Assets	67,599
<i>Unrestricted</i>	302,088
Total Net Position	\$ 369,687

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

MacDonald Public Library
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Recreation and Culture	\$ 550,909	\$ 7,022	\$ 2,115	\$ --	\$ (541,772)
<i>Total</i>	550,909	7,022	2,115	--	(541,772)
General Purpose Revenues					
					574,786
					303,089
					20,290
					11,793
					1,501
					911,459
					369,687
					--
					\$ 369,687

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

MacDonald Public Library
Balance Sheet
Governmental Funds
June 30, 2023

	<u>General</u>
ASSETS	
Cash and Cash Equivalents	\$ 299,991
Accounts Receivable	6,866
Other Assets	2,500
<i>Total Assets</i>	<u>\$ 309,357</u>
LIABILITIES	
Accounts Payable	\$ 5,807
Due to Other Governments	1,462
<i>Total Liabilities</i>	<u>7,269</u>
FUND BALANCE	
Unassigned	302,088
<i>Total Fund Balance</i>	<u>302,088</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 309,357</u>

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

MacDonald Public Library
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023

Total Fund Balance - Governmental Funds	\$ 302,088
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This represents capital assets of \$360,378, net of accumulated depreciation of \$292,779.	67,599
Total Net Position - Governmental Activities	\$ <u>369,687</u>

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

MacDonald Public Library
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2023

	<u>General</u>
Revenues	
Property Taxes	\$ 574,786
State Aid	21,414
Penal Fines	11,793
Fines and Services	6,451
Interest	1,501
Contributions	991
Reimbursements	571
<i>Total Revenues</i>	<u>617,507</u>
Expenditures	
Salaries and Wages	300,287
Employee Benefits	61,266
Office Expenses	8,082
Collection Development	37,621
Professional Services	103,268
Insurance	7,611
Travel and Transportation	7,114
Utilities	29,053
Capital Outlay	4,084
Miscellaneous	7,033
<i>Total Expenditures</i>	<u>565,419</u>
<i>Excess of Revenues Over</i>	
<i>(Under) Expenditures</i>	<u>52,088</u>
Other Financing Sources (Uses)	
Transfer of Operations	250,000
<i>Net Other Financing Sources (Uses)</i>	<u>250,000</u>
<i>Net Change in Fund Balance</i>	302,088
<i>Fund Balance at Beginning of Period</i>	<u>--</u>
<i>Fund Balance at End of Period</i>	\$ 302,088

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

MacDonald Public Library
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2023

Total Net Change in Fund Balances - Governmental Funds	\$ 302,088
Governmental funds report capital outlay 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 represents the amount by which capital outlay expenditures of \$31,283 exceeded depreciation expense of \$16,773.	14,510
Collections that were previously recorded on the city books.	53,089
Changes in Net Position - Governmental Activities	\$ <u>316,598</u>

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

Notes to the Financial Statements

MacDonald Public Library

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the MacDonald Public Library (the “Library”) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the Library’s significant accounting policies.

Reporting Entity

The Library was established under PA 164 of 1877, Section 10a. The Library is governed by a Board of Trustees. The Library is primarily funded through a tax levy on property within the Library district, state aid, and penal fines.

The financial statements of the Library have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles. The Library’s more significant accounting policies are described below.

Government-wide and Fund Financial Statements

The government-wide financial statements (e.g., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government.

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 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) net 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.

MacDonald 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. General capital asset acquisitions are reported as expenditures in governmental funds.

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 the following major governmental fund:

The ***general fund*** is the government's primary operating fund. It accounts for all financial resources not accounted for and reported in another fund.

Property Taxes

Property taxes are assessed as of December 31. The related property taxes are billed and become a lien on December 1 of the following year. These taxes are due on February 15, with the final collection date of February 28 before they are added to the county tax rolls. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The 2022 taxable valuation for real/personal property of the Library totaled approximately \$472,846,372. The ad valorem taxes levied consisted of 1.2481 mills for Library operations.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of 90 days or less when acquired. Investments are stated at fair value based on quoted market price and include certificates of deposit with an original maturity of greater than 90 days from the date of purchase, common stock, government bonds, and corporate bonds.

MacDonald Public Library

Notes to the Financial Statements

Receivables

Receivables consist of miscellaneous amounts due from individuals and organizations, state aid payments, and penal fines due from the court system for fines due to infractions of the law.

Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide statements (statement of net position). Capital assets are defined by the Library as assets with an initial, individual cost of more than \$1,000 and an estimated life in excess of two years. In addition, library material items such as books, periodicals, and media are capitalized as a collection although they may have an initial cost less than \$1,000. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated acquisition cost at the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded as capital expenditures at the time of purchase in the fund financial statements (statement of revenues, expenditures, and changes in fund balances) and are subsequently capitalized on the government-wide statements.

Depreciation is recorded over the estimated useful lives of the assets, using the straight-line method as follows:

	<u>Years</u>
Building and improvements	10 - 40
Furniture, equipment, and automation	5 - 7
Materials	5

Pension

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System (MERS) and additions to/deductions from MERS fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The Library has one employee included with the City of New Baltimore's MERS plan. The unfunded amount is not determinable.

MacDonald Public Library

Notes to the Financial Statements

Deferred Outflows / Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The Library doesn't have any items that qualify for reporting in these categories.

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.

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

MacDonald Public Library

Notes to the Financial Statements

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 of Trustees 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 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 of Trustees.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Restricted resources are utilized first when allowable costs are incurred where both restricted and unrestricted resources are available.

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

Budgetary Information

The annual budget is prepared by the Library's management and adopted by the Board of Trustees; subsequent amendments are approved by the Board of Trustees. During the current year, the budget was amended in a legally permissible manner.

MacDonald Public Library

Notes to the Financial Statements

The budget has been prepared in accordance with generally accepted accounting principles. The budget statement (statement of revenues, expenditures and change in fund balance – budget and actual - general fund) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on a categorical level; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget as adopted by the Board is included in the financial statements.

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 the following expenditures in excess of the amounts appropriated during the year ended June 30, 2023:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Operating Expenditures	\$ 293,255	\$ 300,287	\$ (7,032)
Collection Development	35,500	37,621	(2,121)
Travel and Transportation	600	7,114	(6,514)
Capital Outlay	4,000	4,084	(84)
Miscellaneous	4,500	6,369	(1,869)

Note 3 - Deposits and Investments

Deposits and investments are reported on the statement of net position as follows:

Cash and cash equivalents	\$ 120,197
Investments	179,794
Total deposits and investments	<u>\$ 299,991</u>

Deposits and investments are comprised of the following at year-end:

Checking/savings accounts	\$ 120,197
Investments	179,794
Total deposits and investments	<u>\$ 299,991</u>

The Checking account is held at The Huntington National Bank. The Investments are held through Michigan Class. State policy limits the Library's investing options to financial institutions located in Michigan. All accounts are in the name of the Library and a specific fund or common account.

MacDonald Public Library

Notes to the Financial Statements

Deposit and Investment Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Library's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturity dates for certificates of deposit have been summarized above.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned. State law does not require, and the Library does not have a policy for deposit custodial credit risk. As of year-end, the Library was not exposed to credit risk because its entire bank balance of \$120,197 was insured. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The Library's investment policy does not have specific limits in excess of state law on investment credit risk. The total Library's investment of \$179,794 was not rated as of June 30, 2023.

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Library's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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; level 3 inputs are significant unobservable inputs. These levels are determined by the Library's investment manager and are

MacDonald Public Library

Notes to the Financial Statements

determined at the fund level based on a review of the investment's class, structure, and what kind of securities are held in the funds. The investment manager will request the information from the fund manager, if necessary. The total investments of the Library of \$179,794 as of June 30, 2023 were Level 1.

Statutory Authority

State statutes authorize the Library to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

MacDonald Public Library

Notes to the Financial Statements

Note 4 - Capital Assets

A summary of changes in capital assets activity for the year ended June 30, 2023 was as follows:

	Beginning of Year	Additions	Reductions	End Of Year
Capital assets being depreciated				
Library Collection	329,095	31,283	-	360,378
Subtotal	329,095	31,283	-	360,378
Less accumulated depreciation				
Library Collection	276,006	16,773	-	292,779
Subtotal	276,006	16,773	-	292,779
Capital assets being depreciated, net	53,089	14,510	-	67,599
Capital assets, net	\$ 53,089	\$ 14,510	\$ -	\$ 67,599

The entire balance of depreciation expense \$16,773 for the year ended June 30, 2023 was applied to the recreation and culture function.

Note 6 – Defined Contribution Pension Plans

The Library maintains a 401(a) and 457 defined contribution pension plans. In a defined pension contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Michigan state statute assigns the authority to establish and amend benefit provisions to the Library Board. Full time employees are eligible to participate from the date of employment. The Library contributes 5% of gross wages for eligible employees. Vesting will be credited using the elapsed time method. The Library's contributions will be fully vested after three years of continuous employment. The library made contributions of \$4,732 to the 401(a) plan and employees made \$5,786 to the 457 plan during the year ended June 30, 2023.

Note 7 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Library carries commercial insurance. Liabilities in excess of insurance are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. There have been no losses in excess of insurance in the prior three years.

Note 8 - Contingencies

The Library receives revenues from the other governmental units. This revenue is allocated to the Library based on various factors, which may be reviewed at some future date. Any changes in revenue allocation factors cannot be determined at this time, although the Library expects such amounts, if any, not to be material.

MacDonald Public Library

Notes to the Financial Statements

Note 9 - Adoption of GASB Statement No. 96, *Subscription-based Information Technology Arrangements* (“SBITA”s)

The Library adopted the provisions of GASB Statement No. 96, *Subscription-based Information Technology Arrangements*, in the current year, which improves accounting and financial reporting for SBITAs by governments. The requirements of this Statement improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also reduces diversity and improves comparability in financial reporting by the Library. This Statement also enhances the relevance and reliability of the Library’s financial statements by requiring the Library to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures allow users to understand the scale and important aspects of the Library’s SBITA activities and evaluate the Library’s obligations and assets resulting from SBITAs. The Library did not have any material SBITA’s to record in the current year.

Note 10 – Subsequent Events

Management has evaluated subsequent events through December 20, 2023, the date these financial statements were available to be issued, and is not aware of any events that could have a financial impact on the Library.

Required Supplementary Information

MacDonald Public Library
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
Revenues				
Operating revenues	\$ 575,084	\$ 575,084	\$ 574,786	\$ (298)
State Aid	7,000	7,000	21,414	14,414
Penal Fines	13,000	13,000	11,793	(1,207)
Fines and Services	6,000	6,000	6,451	451
Interest	500	500	1,501	1,001
Contributions	--	--	991	991
Reimbursements	300	300	571	271
Total Revenues	601,884	601,884	617,507	15,623
Expenditures				
Operating expenditures/expenses	293,255	293,255	300,287	(7,032)
Employee Benefits	77,130	77,130	61,266	15,864
Office Expenses	8,450	8,450	8,082	368
Collection Development	35,500	35,500	37,621	(2,121)
Professional Services	97,500	97,500	103,268	(5,768)
Insurance	13,200	13,200	7,611	5,589
Travel and Transportation	600	600	7,114	(6,514)
Utilities	68,950	68,950	29,053	39,897
Capital Outlay	4,000	4,000	4,084	(84)
Miscellaneous	4,500	4,500	7,033	(2,533)
Total Expenditures	603,085	603,085	565,419	37,666
Excess (Deficiency) of Revenues				
Over Expenditures	(1,201)	(1,201)	52,088	53,289
Net Change in Fund Balance	(1,201)	(1,201)	52,088	53,289
<i>Fund Balance at Beginning of Period</i>	--	--	--	--
Fund Balance at End of Period	\$ (1,201)	\$ (1,201)	\$ 52,088	\$ 53,289

December 20, 2023

To the Board of Trustees
MacDonald Public Library
New Baltimore, Michigan

We have audited the financial statements of the governmental activities and the major fund of the MacDonald Public Library (the "Library") for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 15, 2023. 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, besides as noted in Footnote #9, during the fiscal year ended June 30, 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 the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Furthermore, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We did not identify any misstatements during our audit.

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 December 20, 2023.

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 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.

Restriction on Use

This information is intended solely for the information and use of the Board of Trustees 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,

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being particularly stylized.

Gabridge & Company, PLC
Grand Rapids, MI