



**BRIGGS DISTRICT LIBRARY
CLINTON COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2024**

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INDEPENDENT AUDITOR'S REPORT

To the Library Board
Briggs District Library
St. Johns, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Briggs District Library (the "Library"), as of and for the year ended June 30, 2024, 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, 2024, 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, pension schedules, 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 the ampersand being a simple loop.

Gabridge & Company, PLC
Grand Rapids, Michigan
December 6, 2024

Management's Discussion and Analysis

Briggs District Library Management's Discussion and Analysis June 30, 2024

As management of the Briggs District 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, 2024. 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 at the close of this fiscal year by \$1,572,578 (shown as *net position*). Of this amount \$1,004,370 (*unrestricted net position*) may be used to meet the Library's ongoing services and obligations.
- During the year, the Library received \$741,485 in revenues and incurred \$614,783 in expenses, resulting in a decrease in net position of \$126,702.
- The general fund increased its fund balance by \$79,364 during the year for an ending fund balance of \$1,094,049.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,094,049, or 165% of the general fund's total annual 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 other 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 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., depreciation of 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. 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 general fund is the only governmental fund for the Library.

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 exceeded liabilities by \$1,572,578 as of June 30, 2024.

The following schedule shows the assets, liabilities, and net position of the Library for the past two June 30 fiscal year-ends:

ASSETS	2024	2023
<i>Current Assets</i>		
Cash and Investments	\$ 1,119,714	\$ 950,619
Due from Other Governments	67,845	82,300
Total Current Assets	1,187,559	1,032,919
<i>Noncurrent Assets</i>		
Capital Assets, net	568,208	562,613
Total Assets	1,755,767	1,595,532
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	28,782	28,200
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	16,732	12,231
Accrued Payroll	6,778	6,003
Unearned Revenue	70,000	-
Current Portion of Compensated Absences	5,239	4,277
Total Current Liabilities	98,749	22,511
<i>Noncurrent Liabilities</i>		
Compensated Absences	15,716	12,829
Net Pension Liability	77,745	131,844
Total Liabilities	192,210	167,184
DEFERRED INFLOWS OF RESOURCES		
Pension Related	19,761	10,672
NET POSITION		
Investment in Capital Assets	568,208	562,613
<i>Unrestricted</i>	1,004,370	883,263
Total Net Position	\$ 1,572,578	\$ 1,445,876

A portion of the Library's net position (\$568,208, or 36%) reflects its investment in capital assets (e.g., building, equipment, 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.

The remaining balance of \$1,004,370 is unrestricted and may be used to meet the Library's ongoing obligations to its patrons and creditors.

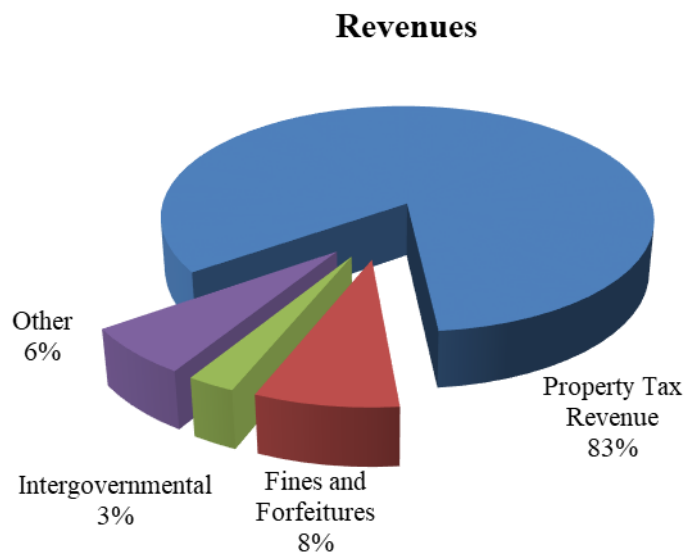
Governmental Activities. In the fiscal year ended June 30, 2024, one of the Library's major source of financing its operation were property taxes of \$616,660. Another major source of revenue were penal fines of \$57,961.

Overall revenues increased by \$38,245 from the prior year mainly due to an increase in property taxes of \$39,446. Expenses decreased by \$113,830, primarily a result of current year changes in the Library's pension plan.

Governmental Activities

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

Program Revenues	2024	2023
Charges for Services	\$ 15,037	\$ 10,777
Operating Grants and Contributions	23,960	20,068
Total Program Revenues	38,997	30,845
General Revenues		
Property Taxes	616,660	577,214
Unrestricted State Aid	19,507	19,383
Penal Fines	57,961	72,541
Interest	8,360	3,257
Total General Revenues	702,488	672,395
Total Revenues	741,485	703,240
Expenses		
Recreation and Culture	614,783	728,613
Total Expenses	614,783	728,613
Net Change in Net Position	126,702	(25,373)
Net Position at Beginning of Period	1,445,876	1,471,249
Net Position at End of Period	\$ 1,572,578	\$ 1,445,876



Salaries and payroll taxes were the largest expenses for the Library. \$448,772 was the total expense of salaries and payroll taxes, or 73% of the Library's total expenses. Another significant expense for the Library was depreciation expense of \$73,033, which represented 12% of the total expenses within the Library during the fiscal year ended June 30, 2024.

Financial Analysis of the Library's Fund

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 \$1,094,049. 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 165% of total general fund expenditures.

The fund balance of the Library general fund increased by \$79,364 during the year. The change in fund balance is due mainly to increased taxable values during the year.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there were no amendments to the original budgeted revenues or appropriations that were significant.

Final budget compared to actual results. The Library had the following budget exceptions for the year ending June 30, 2024:

General Fund	Final	Actual	Variance
Other Services and Charges	\$ 124,746	\$ 132,004	\$ (7,258)

Capital Assets

The Library's investment in capital assets at year-end amounted to \$568,208 (net of accumulated depreciation). Capital assets of the Library include any items purchased that have an expected useful life of over one year and a cost of over \$1,000. 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.

Economic Factors and Next Year's Budgets and Rates

Management estimates that approximately \$675,000 of revenues will be available for appropriation in the general fund in the upcoming budget. The Library continues to review all budget line items for opportunities to reduce expenditures when possible. 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:

Briggs District Library
108 East Railroad Street
St. Johns, MI 48879

Basic Financial Statements

Briggs District Library
Statement of Net Position
June 30, 2024

ASSETS

Current Assets

Cash and Investments	\$ 1,119,714
Due from Other Governmental Units	67,845
Total Current Assets	1,187,559

Noncurrent Assets

Capital Assets not Being Depreciated	88,987
Capital Assets Being Depreciated, net	479,221
Total Assets	1,755,767

DEFERRED OUTFLOWS OF RESOURCES

Pension Related	28,782
Total Deferred Outflows of Resources	28,782

LIABILITIES

Current Liabilities

Accounts Payable	16,732
Accrued Payroll	6,778
Unearned Revenue	70,000
Current Portion of Compensated Absences	5,239
Total Current Liabilities	98,749

Noncurrent Liabilities

Compensated Absences	15,716
Net Pension Liability	77,745
Total Liabilities	192,210

DEFERRED INFLOWS OF RESOURCES

Pension Related	19,761
Total Deferred Inflows of Resources	19,761

NET POSITION

Investment in Capital Assets	568,208
<i>Unrestricted</i>	1,004,370
Total Net Position	\$ 1,572,578

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

**Briggs District Library
Statement of Activities
For the Year Ended June 30, 2024**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Recreation and Culture	\$ 614,783	\$ 15,037	\$ 23,960	\$ --	\$ (575,786)
Total	\$ 614,783	\$ 15,037	\$ 23,960	\$ --	\$ (575,786)

General Purpose Revenues:

Property Taxes	616,660
Unrestricted State Aid	19,507
Penal Fines	57,961
Interest	8,360

Total General Revenues	702,488
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Change in Net Position	126,702
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<i>Net Position at Beginning of Period</i>	<i>1,445,876</i>
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<i>Net Position at End of Period</i>	<i>\$ 1,572,578</i>
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The Notes to the Financial Statements are an Integral part of these Financial Statements

**Briggs District Library
Balance Sheet
Governmental Fund
June 30, 2024**

	<u>General</u>
ASSETS	
Cash and Investments	\$ 1,119,714
Due from Other Governmental Units	67,845
<i>Total Assets</i>	<u>\$ 1,187,559</u>
LIABILITIES	
Accounts Payable	\$ 16,732
Accrued Payroll	6,778
Unearned Revenue	70,000
<i>Total Liabilities</i>	<u>93,510</u>
FUND BALANCE	
Unassigned	1,094,049
<i>Total Fund Balance</i>	<u>1,094,049</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 1,187,559</u>

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

Briggs District Library
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2024

Total Fund Balance - Governmental Fund	\$ 1,094,049
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This represents capital assets of \$1,206,989, net of accumulated depreciation of \$638,781.	568,208
Compensated absences are note due and payable in the current period and, therefore, are not reported in the funds.	(20,955)
Net pension liabilities, along with pension related deferred inflows and outflows, are not reported in the funds.	(68,724)
Total Net Position - Governmental Activities	\$ <u>1,572,578</u>

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

Briggs District Library
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2024

	<u>General</u>
Revenues	
Property Taxes	\$ 616,660
Intergovernmental	19,507
Charges for Services	8,139
Fines and Replacement Fees	57,961
Other Revenue	30,858
Interest	8,360
<i>Total Revenues</i>	<u>741,485</u>
Expenditures	
Wages and Benefits	444,923
Supplies	12,083
Other Services and Charges	132,004
Capital Outlay	73,111
<i>Total Expenditures</i>	<u>662,121</u>
<i>Excess of Revenues Over</i>	
<i>(Under) Expenditures</i>	<u>79,364</u>
<i>Net Change in Fund Balance</i>	79,364
<i>Fund Balance at Beginning of Period</i>	<u>1,014,685</u>
<i>Fund Balance at End of Period</i>	<u>\$ 1,094,049</u>

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

Briggs District Library
Reconciliation of Governmental Fund Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2024

Total Net Change in Fund Balances - Governmental Fund	\$ 79,364
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 \$81,648 exceeded depreciation expense of \$73,033 and loss on disposal of assets of \$3,020	5,595
The change in net pension liability, and pension related deferred inflow and outflow amounts, does not require the use of current resources and, accordingly, is not reported in the governmental funds.	45,592
Compensated absences are expensed in the statement of activities when incurred. However, if they are not to be paid using current financial resources, they are not recorded in the fund statements. This represents the change in compensated absences for the year.	(3,849)
Changes in Net Position - Governmental Activities	\$ <u>126,702</u>

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

Notes to the Financial Statements

Briggs District Library

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Briggs District 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 in May 2016 as a district library pursuant to the District Library Establishment Act, 1989 PA 24, MCL 397.171. The Library is governed by a seven-member Library Board. The Library is administered by a director appointed by the Board. The Library is primarily funded through a tax levy on property within the Library district, fines, fees, and state aid.

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) 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.

Briggs District Library

Notes to the Financial Statements

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. 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 Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

Financial Statement Amounts

Property Tax

Property taxes attach as an enforceable lien on property as of December 31 each year. Library taxes, levied and immediately due July 1, are collected without penalty through September 15, and with penalty thereafter. Library property tax revenues are recognized as revenues in the fiscal year levied to the extent that they are budgeted and available for the financing of operations.

The 2023 state taxable value for real/personal property of the Library totaled approximately \$829,841,795. The ad valorem taxes levied consisted of .7401 mills for Library operations.

Capital Assets

Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated assets are reported at the estimated 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 are expensed as incurred.

Briggs District Library

Notes to the Financial Statements

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

	<u>Years</u>
Library collection	5
Equipment and furniture	5 - 10
Buildings and improvements	10 - 40

Compensated Absences

The Library's employees are granted vacation and sick leave in varying amounts based upon length of service and position. Unused sick pay leave may accumulate and be carried over to a subsequent year, subject to restrictions. No portion of unused sick leave is paid to employees at the time of termination or retirement. It is the Library's policy to recognize the cost of sick leave at the time payments are made. Vacation pay accrued at year-end which is subject to payment upon termination has been included as a liability on the statement of net position and not on the balance sheet as the balance is not expected to be liquidated with expendable available financial resources.

Pensions

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) of Michigan 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.

Deferred Outflow /Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section 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 that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Library only has one item that qualifies for reporting in this category, which is pension contributions subsequent to measurement date.

Deferred inflows of resources, a separate financial statement element, represented 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 only has one item that qualifies for reporting in this category, which is the net difference between projected and actual earnings on pension plan investments.

Briggs District Library

Notes to the Financial Statements

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 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 Director 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

Briggs District Library

Notes to the Financial Statements

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.

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.

Subsequent Events

Management has evaluated subsequent events through December 6, 2024, the date on which these financial statements were available to be issued. See Note 11 for more information.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The appropriated budget is prepared by individual revenue and expenditure line item. The legal level of budgetary control is the individual line item. The Board of Trustees can make supplemental budgetary appropriations throughout the year.

All annual appropriations lapse at the end of the fiscal year.

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.

Excess of expenditures over appropriations in budgeted funds - The Library had the following expenditures in excess of the amount appropriated in the general fund as of June 30, 2024:

General Fund	Final	Actual	Variance
Other Services and Charges	\$ 124,746	\$ 132,004	\$ (7,258)

Briggs District Library

Notes to the Financial Statements

Note 3 - Cash and Investments

Cash and investments consisted of the following as of June 30, 2024:

Deposits and Investments	
Checking and Savings Accounts	<u>\$ 1,119,714</u>

The Library is limited to the following investments authorized by Act 20 of 1943, as amended:

- a. Investment pools organized under the Surplus Funds Investment Pool Act, PA 367 of 1982 (MCL 129.111-129.118).
- b. Investment pools organized under the Local Government Investment Pool Act, PA 121 of 1985 (MCL 129.141-129.150).
- c. Bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States.
- d. Certifications of deposit, saving accounts, deposit accounts of depository receipts of a financial institution as defined in MCLA 129.91(4) provided that the financial institution is eligible to be a depository of funds belonging to the State under a law or rule of the State of Michigan or the United States.
- e. Repurchase agreements consisting of instruments listed in c., above.

Custodial Credit Risk - Deposits

In the case of deposits, which is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library will minimize its custodial credit risk by diversifying its investments by institution. As of year-end, \$625,126 of the Library's bank balance of \$1,125,140 was exposed to custodial credit risk because the Library's deposits were uninsured and/or uncollateralized.

Interest Rate Risk

Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. 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.

Briggs District Library

Notes to the Financial Statements

Note 4 - Accounts Receivable

Accounts receivable as of June 30, 2024 represents penal fines and state shared revenues that were paid out after the fiscal year end that related to that period.

The Library has no uncollectable accounts receivable balances as of June 30, 2024.

Note 5 - Capital Assets

A summary of the changes in capital assets is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated				
Construction in Progress	\$ 56,157	\$ 32,830		\$ 88,987
Capital assets being depreciated				
Library collection	299,249	39,044	88,316	249,977
Equipment and furniture	42,107	9,774	5,676	46,205
Buildings and improvements	821,820	-	-	821,820
Total capital assets being depreciated	1,163,176	48,818	93,992	1,118,002
Less accumulated depreciation				
Library collection	176,680	42,187	88,316	130,551
Equipment and furniture	9,749	5,317	2,656	12,410
Buildings and improvements	470,291	25,529	-	495,820
Total accumulated depreciation	656,720	73,033	90,972	638,781
Capital assets, net	\$ 562,613	\$ 8,615	\$ 3,020	\$ 568,208

Total depreciation expense for the year was \$73,033 and it was entirely allocated to the recreation and culture function.

Note 6 - Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for vacation leave. The dollar amounts of these vested rights, including related payroll taxes, have been recorded as a current liability in the government-wide financial statements.

The following is a summary of changes in compensated absences of the Library for the year ended June 30, 2024:

Briggs District Library

Notes to the Financial Statements

	6/30/2023		6/30/2024	Due Within
	Balance	Additions	Balance	One Year
Compensated absences	\$ 17,106	\$ 3,849	\$ 20,955	\$ 5,239

Note 7 - Defined Contribution Pension Plans

The Library maintains a 401(a) and 457 defined contribution pension plan with MERS. In a defined 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 6-10% of gross wages for eligible employees. The Library's contributions are fully vested after five years of employment. The Library made contributions of \$15,464 to the 401(a) plan and employees made \$14,327 to the 457 plan during the year ended June 30, 2024.

Note 8 – Defined Benefit Pension Plan

Plan Description

The Library's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The Library participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided

The Plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. The MERS plan covers full-time employees at the Library. Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the Library Board, generally after negotiations of these terms with the affected unions. The following employee division was covered by the following benefit terms:

Division	Benefit Multiplier	Final Average Compensation (Years)	Normal Retirement Age	Unreduced Benefit (Age/Years of Service)	Reduced Benefit (Age/Years of Service)	Vesting (Years)
07 - Library Employees, closed	2.50% (80% max)	3	60	50/25 or 50/20	55/15	10

Briggs District Library

Notes to the Financial Statements

Employees Covered by Benefit Terms

At the December 31, 2023 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	3
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	-
<i>Total employees covered by MERS</i>	<u>3</u>

Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended June 30, 2024, the Library had the following contribution amounts:

<u>Division</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>
07 - Library Employees, closed	0.00%	\$4,797 / month

Net Pension Liability

The net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2023 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00% plus merit and longevity: 3.00% in the long-term
Investment rate of return	6.93%, net of investment and administrative expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.0% long-term wage inflation assumption would be consistent with a price inflation of 3-4%.

Briggs District Library

Notes to the Financial Statements

Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014-2018.

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

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-term Expected Gross Rate of Return	Inflation Assumption	Long-term Expected Real Rate of Return
Global Equity	60.00%	6.93%	4.16%	2.50%	2.66%
Global Fixed Income	20.00%	4.44%	0.89%	2.50%	0.39%
Private Investments	20.00%	9.44%	1.89%	2.50%	1.39%
Totals	100.00%		6.93%		4.43%

Discount Rate

The discount rate used to measure the total pension liability is 7.18%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Change in Discount Rate Assumption

Effective at the end of the fiscal year, the discount rate used to measure the total pension liability has been reduced from 7.25% to 7.18%. This change reflects updated expectations for long-term investment returns and other economic factors.

Briggs District Library

Notes to the Financial Statements

Changes in Net Pension Liability

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

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2022	\$ 500,189	\$ 368,345	\$ 131,844
Service cost	-	-	-
Interest	7,658	-	7,658
Difference between expected and actual experience	6,720	-	6,720
Changes in assumptions	2,455	-	2,455
Transfer in	-	-	-
Contributions - Employer	-	56,982	(56,982)
Net investment income	-	41,535	(41,535)
Benefit payments, including refunds	(52,420)	(52,420)	-
Administrative expenses	-	(878)	878
Other changes	26,707	-	26,707
Net changes	(8,880)	45,219	(54,099)
Balance at December 31, 2023	\$ 491,309	\$ 413,564	\$ 77,745

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

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.18%) or 1% higher (8.18%) than the current rate:

	<u>Current</u>		
	<u>1% Decrease (6.18%)</u>	<u>Discount Rate (7.18%)</u>	<u>1% Increase (8.18%)</u>
Net pension liability (asset) of the Library	\$ 115,411	\$ 77,745	\$ 44,674

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

Briggs District Library

Notes to the Financial Statements

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2024, the Library recognized pension expense of \$11,972. At June 30, 2024, the Library reported deferred outflow of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 19,761
* Employer contributions to the plan subsequent to the measurement date	28,782	-
Total	\$ 28,782	\$ 19,761

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2025.

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

Years Ending June 30	Amount
2024	\$ (5,607)
2025	(5,607)
2026	(5,607)
2027	(2,940)

Note 9 - 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.

Briggs District Library

Notes to the Financial Statements

Note 10 - Tax Abatement Disclosure

Industrial property tax abatements are granted in the State of Michigan under Public Act 198, as amended, to promote economic development, creation of jobs, and new or improvement facilities. The industrial facilities tax (IFT) exemption must be approved by both the local unit (after a public hearing is held) and the State of Michigan. IFT exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project, and must be accompanied by a written agreement between the taxpayer and the local unit. An exemption allows for taxation on IFT property at 50% of the local property tax millage rate for a period of 1 to 12 years. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. For the year ended June 30, 2024, the Library's property taxes were reduced by \$0 under this program.

Note 11 – Subsequent Events

Subsequent events have been evaluated through December 6, 2024, the date the financial statements were available to be issued. Management is not aware of events that would have significant impact on these financial statements.

Required Supplementary Information

Briggs District Library
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2024

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 579,480	\$ 601,370	\$ 616,660	\$ 15,290
Intergovernmental	19,245	89,245	19,507	(69,738)
Charges for Services	59,010	59,010	8,139	(50,871)
Fines and Replacement Fees	5,920	5,920	57,961	52,041
Other Revenue	8,975	23,135	30,858	7,723
Interest	2,000	2,000	8,360	6,360
Total Revenues	674,630	780,680	741,485	(39,195)
Expenditures				
Wages and Benefits	452,791	451,640	444,923	6,717
Supplies	12,950	14,265	12,083	2,182
Other Services and Charges	115,920	124,746	132,004	(7,258)
Capital Outlay	92,969	190,029	73,111	116,918
Total Expenditures	674,630	780,680	662,121	118,559
Excess (Deficiency) of Revenues Over Expenditures	--	--	79,364	79,364
Net Change in Fund Balance	--	--	79,364	79,364
<i>Fund Balance at Beginning of Period</i>	1,014,685	1,014,685	1,014,685	--
Fund Balance at End of Period	\$ 1,014,685	\$ 1,014,685	\$ 1,094,049	\$ 79,364

Briggs Area District Library
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Two Calendar Years

	2023	2022
Total Pension Liability		
Interest	\$ 7,658	\$ (652)
Differences Between Expected and Actual Experience	6,720	518,830
Changes in Assumptions	2,455	-
Benefit Payments, Including Refunds	(52,420)	(17,989)
Other Changes	26,707	-
Net Change in Pension Liability	<u>(8,880)</u>	<u>500,189</u>
<i>Total Pension Liability - Beginning</i>	500,189	-
Total Pension Liability - Ending (a)	<u><u>\$ 491,309</u></u>	<u><u>\$ 500,189</u></u>
 Plan Fiduciary Net Position		
Contributions - Employer	\$ 56,982	\$ 23,500
Transfer In	-	349,597
Net Investment Income (Loss)	41,535	13,529
Benefit Payments, Including Refunds	(52,420)	(17,989)
Administrative Expenses	(878)	(292)
Net Change in Plan Fiduciary Net Position	<u>45,219</u>	<u>368,345</u>
<i>Plan Fiduciary Net Position - Beginning</i>	368,345	-
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 413,564</u></u>	<u><u>\$ 368,345</u></u>
 Net Pension Liability - Ending (a) - (b)	 \$ 77,745	 \$ 131,844
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	 84.18%	 73.64%
 Covered Payroll	 \$ -	 \$ -
 Net Pension Liability as a Percentage of Covered Payroll	 N/A	 N/A

Notes to Schedule:

* Built prospectively upon implementation on GASB 68. An additional year will be added each year until ten years are presented.

Briggs Area District Library
Required Supplementary Information
Schedule of Contributions
Last Two Fiscal Years

	2024	2023
Actuarially Determined Contribution	\$ 57,564	\$ 56,400
Contributions in Relation to the Actuarially Determined Contribution	57,564	56,400
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	-	-
Contributions as a Percentage of Covered Payroll	N/A	N/A

Notes

Valuation Date

Actuarially determined contribution amounts are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Level percentage of pay - closed
Amortization method	10 years
Remaining amortization period	5 years; smoothed
Asset valuation method	2.50%
Inflation	3.00% in the long-term
Salary increases	6.93%, net of investment expense, including inflation
Investment rate of return	60
Retirement Age	Pub-2010 and Fully Generational MP-2019
Mortality	

Notes to Schedule:

** Built prospectively upon implementation on GASB 68. An additional year will be added each year until ten years are presented.*

December 6, 2024

To the Library Board
Briggs District Library
St. Johns, Michigan

We have audited the financial statements of the governmental activities and the major fund of Briggs District Library (the "Library") for the year ended June 30, 2024. 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 May 24, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the 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 June 30, 2024. 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 was:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is to be believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of vacation banks.
- The assumptions used in the actuarial valuation of the pension is based on historical trends and industry standards.

We evaluated the key factors and assumptions used to develop the 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. Management has corrected all such misstatements.

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 6, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to 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 management's discussion and analysis, pension schedules, and the budgetary comparison schedule, 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 and the major fund of the Library as of and for the year ended June 30, 2024, 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 a material weakness:

Material audit adjustments and financial statement preparation:

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 and assisted with preparing the financial statements.

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.

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

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

Gabridge & Company, PLC
Grand Rapids, MI