

**CROMAINE DISTRICT LIBRARY
HARTLAND, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS
(with required and other supplementary information)**

YEAR ENDED JUNE 30, 2024

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-7
BASIC FINANCIAL STATEMENTS.....	8
Government-wide Financial Statements	
Statement of Net Position.....	9
Statement of Activities	10
Governmental Fund Financial Statements	
Balance Sheet.....	11
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balance	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	14
Notes to Financial Statements	15-25
REQUIRED SUPPLEMENTARY INFORMATION.....	26
General Fund	
Budgetary Comparison Schedule	27
OTHER SUPPLEMENTARY INFORMATION	28
General Fund	
Combining Schedule.....	29



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Cromaine District Library
Hartland, 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 Cromaine District Library, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Cromaine District 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 Cromaine District 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 Cromaine District 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 Cromaïne District 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 Cromaïne District 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 Cromaïne District 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 identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The General Fund Combining Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the General Fund Combining Schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

Maney Costeiran PC

October 7, 2024

**CROMAINE DISTRICT LIBRARY
MANAGEMENT’S DISCUSSION AND ANALYSIS**

The discussion and analysis of the Library’s financial performance provides an overview of the Library’s financial activities for the fiscal year ended June 30, 2024. Please read it in conjunction with the Library’s financial statements.

Financial Highlights

These represent the most significant financial highlights for the year ended June 30, 2024:

- The Library’s total net position increased by \$478,738 at the government-wide level.
- Overall there was an increase in fund balance of \$505,262.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library’s finances. This longer-term view uses the full accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers’ resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Library in more detail than the government-wide financial statements by providing information about the Library’s General Fund. The following table provides a comparison of the prior fiscal year and the just-completed fiscal year.

Condensed financial information:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
ASSETS		
Current assets	\$ 5,039,373	\$ 4,495,963
Capital assets	<u>2,965,252</u>	<u>2,990,800</u>
TOTAL ASSETS	<u>8,004,625</u>	<u>7,486,763</u>
LIABILITIES		
Current liabilities	<u>119,236</u>	<u>80,112</u>
NET POSITION		
Investment in capital assets	2,965,252	2,990,800
Restricted	8,053	8,053
Unrestricted	<u>4,912,084</u>	<u>4,407,798</u>
TOTAL NET POSITION	<u>\$ 7,885,389</u>	<u>\$ 7,406,651</u>

**CROMAINE DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

	<u>Year Ended June 30, 2024</u>	<u>Year Ended June 30, 2023</u>
REVENUE		
Charges for services	\$ 19,700	\$ 22,438
Operating grants and contributions	56,810	24,817
Capital grants and contribution	12,185	-
Property taxes	2,418,300	2,273,352
Other general revenues	<u>238,433</u>	<u>201,780</u>
TOTAL REVENUE	<u>2,745,428</u>	<u>2,522,387</u>
EXPENSES		
Library services	<u>2,266,690</u>	<u>1,998,129</u>
Change in net position	<u>\$ 478,738</u>	<u>\$ 524,258</u>

The Library as a Whole

Review of the statements for fiscal year 2023/2024 indicates a healthy financial picture with revenue continuing to be in excess of expenses. This is largely due to sustained stability in operating expenses coupled with an increase in property tax revenues.

The net position of the Library increased during the years ended June 30, 2024, and June 30, 2023, by \$478,738 and \$524,258, respectively. This represents unspent revenue greater than expenses - a savings which is particularly necessary as future projections of revenue from property taxes indicate instability due to various active legislative efforts.

The Library's Fund

The Library's sole fund is the General Fund with analysis beginning on page 11, following the government-wide financial statements. The fund financial statements provide detailed information about the governmental fund, not the Library as a whole. Services provided by the Library fall entirely under the function of recreation and culture. Revenues were greater than expenditures recorded in FY 2024 by \$505,262 as compared to revenues exceeding expenditures by \$566,023 in fiscal year 2022/2023.

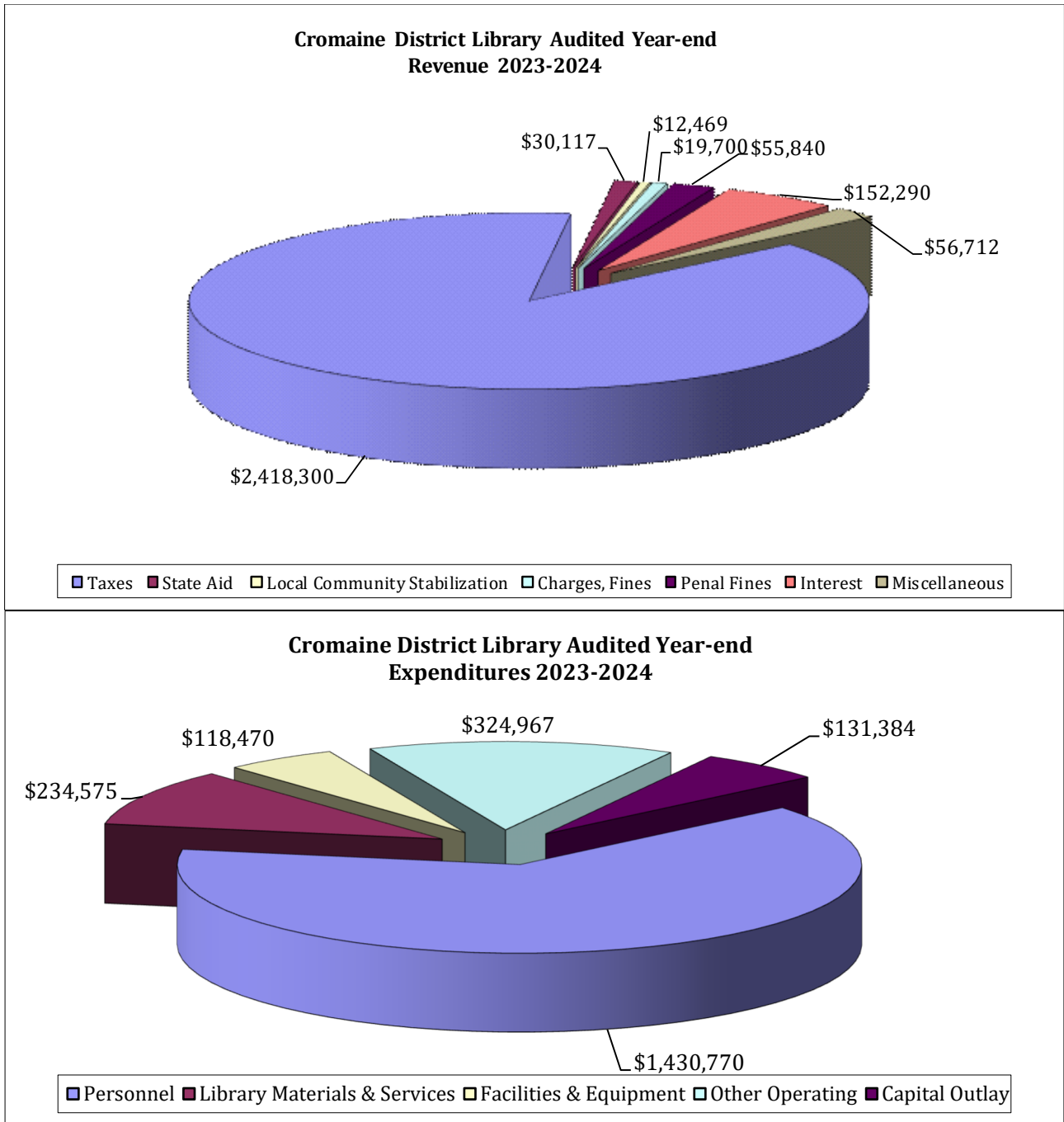
Total revenues for the fiscal year ended June 30, 2024, were \$2,745,428, an increase of 8.84% over the prior fiscal year. The largest component of revenue was property taxes which make up approximately 88.08% of the total revenue and increased approximately 6.37% due to an increase in the taxable value of property.

Total expenditures for the fiscal year ended June 30, 2024, were \$2,240,166, an increase of \$283,801 from the prior fiscal year. The largest component of expenditures was salaries and fringe benefits which totaled \$1,430,770 or approximately 63.87% of the total expenditures. One of the most significant changes to the Library's expenditures was in repairs and maintenance, which increased approximately 56.28% from the prior fiscal year. This increase is due to additional repairs and maintenance needed on the library building in the current year.

**CROMAINE DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Budgetary Highlights

Over the course of the fiscal year, the Library's Board of Trustees made minor revisions to the General Fund budget. Actual expenditures came in \$293,321 under the final budgeted amount adopted by the Library's Board of Trustees. Actual revenues were \$231,055 more than the final anticipated amount with the net change in fund balance being an increase of \$505,262.



CROMAINE DISTRICT LIBRARY MANAGEMENT'S DISCUSSION AND ANALYSIS

With the close of the 2023/2024 fiscal year, the Library has only one fund, the General Fund, which is divided into three classes (or sub-funds) for internal reporting purposes. These three classes are the Operating, Improvement (or Capital), and Gift.

Capital Assets and Debt Administration

As of June 30, 2024, and June 30, 2023 the Library had \$2,965,252 and \$2,990,800, respectively, invested in land, building, and furniture and equipment (net of accumulated depreciation). During the year ended June 30, 2024, the Library added \$94,132 to capital assets. These additions included new furniture, the purchase of a generator, various computers for both staff and public use, as well as bathroom and sidewalk upgrades. See Note 3 in the financial statements for more details related to the Library's capital assets.

The Library's indebtedness totaled \$31,096 and \$30,120 of compensated absences at June 30, 2024 and June 30, 2023, respectively. The only long-term obligations of the Library are compensated absences earned by the employees. See Note 4 in the financial statements for more details related to the Library's long-term obligations.

Budget Factors and Currently Known Facts for 2024/2025

The Library's 2024-2028 Strategic Plan, adopted in February 2024, has set the stage for several anticipated innovations and investments which will impact the Library's financial resources not only in the coming fiscal year, but going forward.

The plan mandates continued improvements to the Library building as well as the Library's grounds. A request for proposal (RFP) was issued in August 2024 seeking bids from landscape design firms to help the Library Board of Trustees plan how to best "elevate the outdoor spaces of the Library to provide functional space, supporting strong levels of programming and daily patron use and gathering."

Additionally, the strategic plan calls for investment in the building to improve interior spaces, to "further develop and align library facilities to better service our community and position staff to be most effective." The Library Board plans to "assess all space layouts and allocations and develop a new forward-looking plan for interior space." We hope to issue an interior space needs assessment RFP later this fiscal year.

A third area of focus of the strategic plan is an increase in investments in people and resources, calling for benchmarking staff compensation and benefits to keep Cromaine competitive in the region.

Planned capital outlay for the year includes repair and replacement of the roof on the original 1927 portion of the building, re-sealing/re-stripping of the main parking lot and the Henry Street lot, concrete work and repair to the original building steps, as well as concrete sidewalk additions to the new book drop location and to the outdoor tent area. Additional interior updates are planned to the staff work areas, including furniture and public signage. Technology investments may include a new phone system, new website and staff workstation updates.

Contacting the Library's Administration

If you have questions about this report or need additional information, please contact the Interim Library Director, Sarah Neidert at 3688 N. Hartland Road, Hartland, Michigan 48353. Phone: 810-632-5200, ext. 105. Email: Sarah@cromaine.org.

BASIC FINANCIAL STATEMENTS

**CROMAINE DISTRICT LIBRARY
STATEMENT OF NET POSITION
JUNE 30, 2024**

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 780,807
Investments	4,214,051
Prepays	44,515
Total current assets	5,039,373
Noncurrent assets	
Capital assets not being depreciated	338,813
Capital assets, net of accumulated depreciation	2,626,439
Total noncurrent assets	2,965,252
TOTAL ASSETS	8,004,625
LIABILITIES	
Current liabilities	
Accounts payable	17,269
Accrued liabilities	70,871
Compensated absences	31,096
TOTAL LIABILITIES	119,236
NET POSITION	
Investment in capital assets	2,965,252
Restricted	8,053
Unrestricted	4,912,084
TOTAL NET POSITION	\$ 7,885,389

See accompanying notes to financial statements.

**CROMAINE DISTRICT LIBRARY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Recreation and culture	<u>\$ 2,266,690</u>	<u>\$ 19,700</u>	<u>\$ 56,810</u>	<u>\$ (2,177,995)</u>
General revenues				
Property taxes				2,418,300
State aid				30,117
Penal fines				55,840
Investment income				152,290
Miscellaneous				<u>186</u>
TOTAL GENERAL REVENUES				<u>2,656,733</u>
CHANGE IN NET POSITION				478,738
Net position, beginning of year				<u>7,406,651</u>
Net position, end of year				<u>\$ 7,885,389</u>

See accompanying notes to financial statements.

**CROMAINE DISTRICT LIBRARY
GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2024**

	General
ASSETS	
Cash and cash equivalents	\$ 780,807
Investments	4,214,051
Prepays	44,515
TOTAL ASSETS	\$ 5,039,373
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 17,269
Accrued liabilities	70,871
TOTAL LIABILITIES	88,140
FUND BALANCE	
Nonspendable	44,515
Restricted	8,053
Assigned	2,412,808
Unassigned	2,485,857
TOTAL FUND BALANCE	4,951,233
TOTAL LIABILITIES AND FUND BALANCE	\$ 5,039,373

See accompanying notes to financial statements.

**CROMAINE DISTRICT LIBRARY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2024**

Total fund balance - governmental fund \$ 4,951,233

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	\$ 5,228,393	
Accumulated depreciation is	<u>(2,263,141)</u>	
Capital assets, net		2,965,252

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund balance sheet. Long-term liabilities at year-end consist of:

Compensated absences		<u>(31,096)</u>
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Net position of governmental activities \$ 7,885,389

**CROMAINE DISTRICT LIBRARY
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2024**

	General
REVENUES	
Property taxes	\$ 2,418,300
Intergovernmental	100,026
Charges for services	19,700
Investment income	152,290
Other	55,112
TOTAL REVENUES	2,745,428
EXPENDITURES	
Current	
Recreation and culture	2,108,782
Capital outlay	131,384
TOTAL EXPENDITURES	2,240,166
NET CHANGE IN FUND BALANCE	505,262
Fund balance, beginning of year	4,445,971
Fund balance, end of year	\$ 4,951,233

See accompanying notes to financial statements.

**CROMAINE DISTRICT LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024**

Net change in fund balance - governmental fund \$ 505,262

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$	94,132
Depreciation expense		<u>(119,680)</u>

Excess of depreciation expense over capital outlay	(25,548)
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund. These activities consist of:

(Increase) in compensated absences	<u>(976)</u>
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Change in net position of governmental activities	<u><u>\$ 478,738</u></u>
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**CROMAINE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF LIBRARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Cromaine District Library was organized in 1995 under the provisions of the Michigan District Library Establishment Act, Public Act 24 of 1989, to serve the Hartland Consolidated School District, which is comprised of Hartland Township, and portions of Tyrone, Deerfield, Brighton, Genoa, and Oceola Townships. Public Act 24 defines the Library's legal status as "an Authority under Section 6 of Article IX of the State Constitution of 1963" thereby classifying the Library as a Michigan Municipal Corporation.

The Library is governed by a seven member board of trustees elected at large from the Hartland Consolidated School District.

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.

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of Cromaine District Library (primary government). The Library has no activities that would be classified as component units.

Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government as a whole.

The statement of activities presents the direct functional expenses of the Library and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Library's only fund. The General Fund is the Library's operating fund. It is used to account for all financial resources of the Library and is considered a major governmental fund. General Fund activities are financed by revenue from general property taxes, penal fines, and other sources.

Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

**CROMAINE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF LIBRARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus (continued)

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. The modified accrual basis of accounting was used for the governmental fund financial statements. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned, and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the Library before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenses.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities in the current period. Revenues susceptible to accrual include property taxes, state aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are recorded when due.

Budgets and Budgetary Accounting

The General Fund budget shown as required supplementary information to the financial statements was prepared on a basis consistent with U.S. generally accepted accounting principles and the basis used to reflect actual results. The Library employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. The Library Director prepares the proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and resources to finance them.
- b. Prior to incurring significant expenditures, the budget is legally enacted through Library Board action.
- c. The budget is legally adopted at the total expenditure level and maintained at the account level.
- d. Budgeted amounts are reported as originally adopted or amended by the Library Board during the year.

**CROMAINE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF LIBRARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash, Cash Equivalents, and Investments

Cash consists of checking, money market, and insured cash sweep accounts. Cash equivalents consist of temporary investments in money markets with an original maturity of 90 days or less.

Investments consist of U.S. government securities with original maturities of greater than 90 days. Investments are recorded at market (fair) value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*.

In accordance with Michigan Compiled Laws, the Library is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Prepays

Prepays consist of certain insurance premiums and other expenditures representing costs applicable to future periods. Reported prepaid expenditures are equally offset by nonspendable fund balance, which indicates they do not constitute "available spendable resources" even though they are a component of fund balance.

**CROMAINE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF LIBRARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with a cost greater than \$1,000 and an estimated useful life of more than one year. Capital assets are not recorded in the governmental fund. Instead, capital acquisition and construction are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition cost on the date received.

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. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	20 - 40 years
Building improvements	20 - 40 years
Computers	5 years
Equipment	7 years

Compensated Absences

Full-time Library employees are granted vacation and sick leave in varying amounts based on length of service. Full-time employees accumulate one sick day per month of service, but no payment is made for unused, accumulated sick days upon termination. Upon termination, full-time employees are paid on a prorated basis for unused vacation of that year at their current rates.

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the Library has recorded all liabilities associated with compensated absences. Accumulated vested vacation pay amounts and non-vested vacation pay amounts that are probable to vest and be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a current liability in the government-wide financial statements.

Property Taxes

On December 1, the participating Townships levy and collect property taxes for the Library. The tax levies are due February 14, with the final collection date of February 28. As the Library tax is collected, it is remitted by the Township Treasurers. At March 1 each year, the Townships settle their respective delinquent taxes with the County Treasurer and the unpaid real property tax is remitted to the Library by the County Treasurer in Livingston County. Delinquent personal property taxes are retained by the Township Treasurers for subsequent collection.

The Library is permitted to levy up to \$1.4604 per \$1,000 of assessed valuation on property within the Townships. The maximum allowable levy has been permanently reduced by the Headlee act and for the year ended June 30, 2024, the Library levied 1.4313 mills. The total taxable value for the 2023 levy for the property within the Townships was \$1,690,018,328.

**CROMAINE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF LIBRARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Details of Fund Balance Classifications

Fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five fund balance classifications:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, Cromaine District Library's highest level of decision-making authority is the Library Board of Trustees. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution by the Library Board of Trustees.

For assigned fund balance, the Library Board is authorized to assign amounts to a specific purpose. The authorization policy is a full vote and approval by the Library Board of Trustees.

For the classification of fund balance amounts, the Library's policy is to spend restricted amounts first, then unrestricted amounts when both restricted and unrestricted amounts are available. Similarly, the Library's policy is to spend committed amounts first, then assigned amounts, and finally unassigned amounts when any of those unrestricted fund balance classifications could be used.

Estimates

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

**CROMAINE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS

At June 30, 2024, the Library had deposits and investments subject to the following risk.

Custodial Credit Risk - Deposits

The Library has adopted a policy that indicates the Library will minimize custodial credit risk, which 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 that are in possession of an outside party, by annually requiring an analysis of investments and adhering to the Prudent Investor Rule of fiduciary responsibility. As of June 30, 2024, the Library’s deposits were insured by the Federal Deposit Insurance Corporation (FDIC) for \$547,109. The remaining amount of \$4,448,913 was uninsured and uncollateralized. The cash and cash equivalents reported in the financial statements include \$864 in imprest cash.

Custodial Credit Risk - Investments

For an investment, this 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 will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Library will do business.

Interest Rate Risk

The Library has adopted a policy that indicates the Library will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio in a manner to attain a market rate of return throughout the budgetary and economic cycles while preserving and protecting capital.

Investment Type	Fair Value	Weighted Average Maturity (days)
U.S. Treasury Bills	\$ 4,214,051	320.64

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Concentration of Credit Risk

The Library has adopted a policy that indicates the Library will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Library’s investment in a single issuer, by diversifying the investment portfolio to prevent over concentration of assets in a specific maturity, individual financial institution, or specific class of securities.

**CROMAINE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement

The Library is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Library’s own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Investments that are measured at fair value using net asset per value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

<u>Investment Type</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total</u>
U.S. Treasury Bills	\$ -	\$ 4,214,051	\$ -	\$ 4,214,051

The following summarizes the categorization of these amounts as of June 30, 2024:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking and deposit accounts	\$ 482,834	\$ 484,862
Investments - current	4,214,051	4,214,051
Money market funds	297,109	297,109
Imprest cash	864	-
TOTAL	\$ 4,994,858	\$ 4,996,022

**CROMAINE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024, was as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Capital assets not being depreciated				
Land	\$ 338,813	\$ -	\$ -	\$ 338,813
Capital assets being depreciated				
Buildings	3,815,454	-	-	3,815,454
Building improvements	621,133	40,128	-	661,261
Computers	550,483	35,476	(487,605)	98,354
Equipment	295,983	18,528	-	314,511
Total capital assets being depreciated	5,283,053	94,132	(487,605)	4,889,580
Less accumulated depreciation for				
Buildings	(1,577,238)	(74,869)	-	(1,652,107)
Building improvements	(254,894)	(31,603)	-	(286,497)
Computers	(543,098)	(3,081)	487,605	(58,574)
Equipment	(255,836)	(10,127)	-	(265,963)
Total accumulated depreciation	(2,631,066)	(119,680)	487,605	(2,263,141)
Net capital assets being depreciated	2,651,987	(25,548)	-	2,626,439
Capital assets, net	\$ 2,990,800	\$ (25,548)	\$ -	\$ 2,965,252

NOTE 4 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the Library for the year ended June 30, 2024:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Amounts Due Within One Year
Compensated absences	\$ 30,120	\$ 37,258	\$ (36,282)	\$ 31,096	\$ 31,096

Individual employees have vested rights upon termination of employment to receive payments for unused vacation leave. The dollar amounts of these vested rights including related payroll taxes, which have been recorded as a current liability in the government-wide financial statements, amounted to \$31,096 at June 30, 2024.

**CROMAINE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - DEFINED CONTRIBUTION PLAN

The Library Board of Trustees has established a defined contribution plan which was created in accordance with Internal Revenue Code Section 403(b). Plan provisions and contribution requirements are established and may be amended by the Library Board of Trustees.

The Library offers a defined contribution retirement plan for all full-time employees which is immediately vested. The Cromaine District Library 403(b) DC Plan is administered by TIAA-CREF. The Library contributes 10% of an employee's compensation for all eligible enrolled employees. For the year ended June 30, 2024, the Library contributed \$89,366 to the plan for its employees.

NOTE 6 - RISK MANAGEMENT

The Library participates in a State pool, the Michigan Municipal League Liability and Property Pool, with other municipalities for property, crime, liability, auto, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Library has not been informed of any special assessments being required in the past three fiscal years.

The Library also participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Library has not been informed of any special assessments being required in the past three fiscal years.

NOTE 7 - DETAILS OF FUND BALANCE CLASSIFICATIONS

The following are the various fund balance classifications as of June 30, 2024:

Fund Balance		
Nonspendable		
Prepays	\$	44,515
Restricted		
Hartland Township community projects grant		8,053
Assigned		
Programs		150,533
Capital improvements		1,815,484
Hartland music hall organ fundraiser		12,185
Subsequent years expenditures		434,606
Unassigned		2,485,857
TOTAL FUND BALANCE	\$	4,951,233

**CROMAINE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Library is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The Library is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements - or modifies existing requirements - related to the following:

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;

**CROMAINE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

The Library is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025 - 2026 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

**CROMAINE DISTRICT LIBRARY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2024**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property taxes	\$ 2,417,423	\$ 2,417,423	\$ 2,418,300	\$ 877
Intergovernmental				
State aid	22,000	22,000	30,117	8,117
Penal fines	55,000	55,000	55,840	840
Local community stabilization	-	-	12,469	12,469
Grants	-	-	1,600	1,600
Charges for services				
Fines and forfeits	1,250	1,250	3,532	2,282
Other	14,200	14,200	16,168	1,968
Investment income	4,500	4,500	152,290	147,790
Other				
Contributions	-	-	54,926	54,926
Miscellaneous	-	-	186	186
TOTAL REVENUES	<u>2,514,373</u>	<u>2,514,373</u>	<u>2,745,428</u>	<u>231,055</u>
EXPENDITURES				
Current				
Recreation and culture				
Administrative	9,550	9,550	5,953	3,597
Salaries and fringe benefits	1,566,250	1,566,250	1,430,770	135,480
Supplies	25,900	25,900	24,223	1,677
Community relations	88,700	88,700	97,853	(9,153)
Professional services	130,500	130,500	108,380	22,120
Technology	66,800	70,000	66,333	3,667
Professional development	36,556	36,456	22,225	14,231
Library materials	289,991	284,991	234,575	50,416
Insurance	22,460	22,460	22,359	101
Utilities	56,563	59,800	48,385	11,415
Rent	2,000	2,000	1,125	875
Repairs and maintenance	47,250	57,250	46,601	10,649
Capital outlay	179,700	179,630	131,384	48,246
TOTAL EXPENDITURES	<u>2,522,220</u>	<u>2,533,487</u>	<u>2,240,166</u>	<u>293,321</u>
NET CHANGE IN FUND BALANCE	(7,847)	(19,114)	505,262	524,376
Fund balance, beginning of year	4,445,971	4,445,971	4,445,971	-
Fund balance, end of year	<u>\$ 4,438,124</u>	<u>\$ 4,426,857</u>	<u>\$ 4,951,233</u>	<u>\$ 524,376</u>

OTHER SUPPLEMENTARY INFORMATION

**CROMAINE DISTRICT LIBRARY
GENERAL FUND
COMBINING SCHEDULE
YEAR ENDED JUNE 30, 2024**

	Operating	Gift	Improvement	Total General Fund
REVENUES				
Property taxes	\$ 2,418,300	\$ -	\$ -	\$ 2,418,300
Intergovernmental				
State aid	30,117	-	-	30,117
Penal fines	55,840	-	-	55,840
Local community stabilization	12,469	-	-	12,469
Charges for services				
Fines and forfeits	3,532	-	-	3,532
Other	16,168	-	-	16,168
Investment income	81,366	-	70,924	152,290
Other				
Grants	-	1,600	-	1,600
Contributions	1,565	53,361	-	54,926
Miscellaneous	186	-	-	186
TOTAL REVENUES	2,619,543	54,961	70,924	2,745,428
EXPENDITURES				
Current				
Recreation and culture				
Administrative	5,907	46	-	5,953
Salaries and fringe benefits	1,430,770	-	-	1,430,770
Supplies	22,148	2,075	-	24,223
Community relations	79,119	18,734	-	97,853
Professional services	108,380	-	-	108,380
Technology	66,333	-	-	66,333
Professional development	22,148	77	-	22,225
Library materials	234,507	68	-	234,575
Insurance	22,359	-	-	22,359
Utilities	48,385	-	-	48,385
Rent	1,125	-	-	1,125
Repairs and maintenance	46,006	595	-	46,601
Capital outlay	-	-	131,384	131,384
TOTAL EXPENDITURES	2,087,187	21,595	131,384	2,240,166
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	532,356	33,366	(60,460)	505,262
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	672,690	672,690
Transfers out	(672,690)	-	-	(672,690)
TOTAL OTHER FINANCING SOURCES (USES)	(672,690)	-	672,690	-
NET CHANGE IN FUND BALANCE	(140,334)	33,366	612,230	505,262
Fund balance, beginning of year	3,125,550	117,167	1,203,254	4,445,971
Fund balance, end of year	<u>\$ 2,985,216</u>	<u>\$ 150,533</u>	<u>\$ 1,815,484</u>	<u>\$ 4,951,233</u>