

**CROMAINE DISTRICT LIBRARY
HARTLAND, MICHIGAN**

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

YEAR ENDED JUNE 30, 2023

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 | 15-24 |
| REQUIRED SUPPLEMENTARY INFORMATION | 25 |
| General Fund | |
| Budgetary Comparison Schedule | 26 |
| OTHER SUPPLEMENTARY INFORMATION | 27 |
| General Fund | |
| Combining Schedule | 28 |



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

☎ 517.323.7500

🖨 517.323.6346

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, 2023, 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, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

Manes Costeiran PC

October 2, 2023

**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, 2023. 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, 2023:

- The Library’s total net position increased by \$524,258 at the government-wide level.
- Overall there was an increase in fund balance of \$566,023.

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:

| | June 30, 2023 | June 30, 2022 |
|------------------------------|---------------------|---------------------|
| ASSETS | | |
| Current assets | \$ 4,495,963 | \$ 3,929,765 |
| Capital assets | 2,990,800 | 3,029,173 |
| TOTAL ASSETS | 7,486,763 | 6,958,938 |
| LIABILITIES | | |
| Current liabilities | 80,112 | 76,545 |
| NET POSITION | | |
| Investment in capital assets | 2,990,800 | 3,029,173 |
| Restricted | 8,053 | - |
| Unrestricted | 4,407,798 | 3,853,220 |
| TOTAL NET POSITION | \$ 7,406,651 | \$ 6,882,393 |

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

| | Year Ended June 30, 2023 | Year Ended June 30, 2022 |
|------------------------------------|-----------------------------|-----------------------------|
| REVENUE | | |
| Charges for services | \$ 22,438 | \$ 16,996 |
| Operating grants and contributions | 24,817 | 55,515 |
| Property taxes | 2,273,352 | 2,165,100 |
| Other general revenues | 201,780 | 102,061 |
| TOTAL REVENUE | 2,522,387 | 2,339,672 |
| EXPENSES | | |
| Library services | 1,998,129 | 1,942,264 |
| Change in net position | \$ 524,258 | \$ 397,408 |

The Library as a Whole

Review of the statements for fiscal year 2022/2023 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, 2023, and June 30, 2022, by \$524,258 and \$397,408, 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 funds, 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 2023 by \$566,023 as compared to revenues exceeding expenditures by \$489,892 in fiscal year 2021/2022.

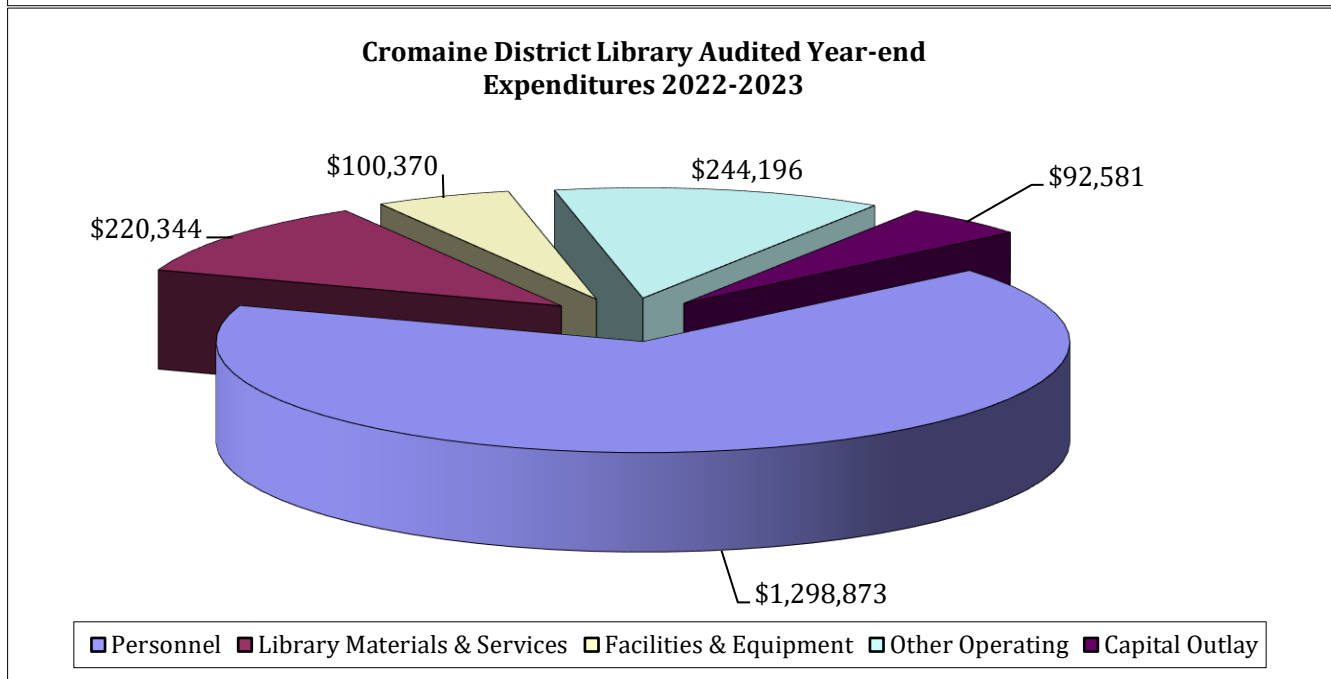
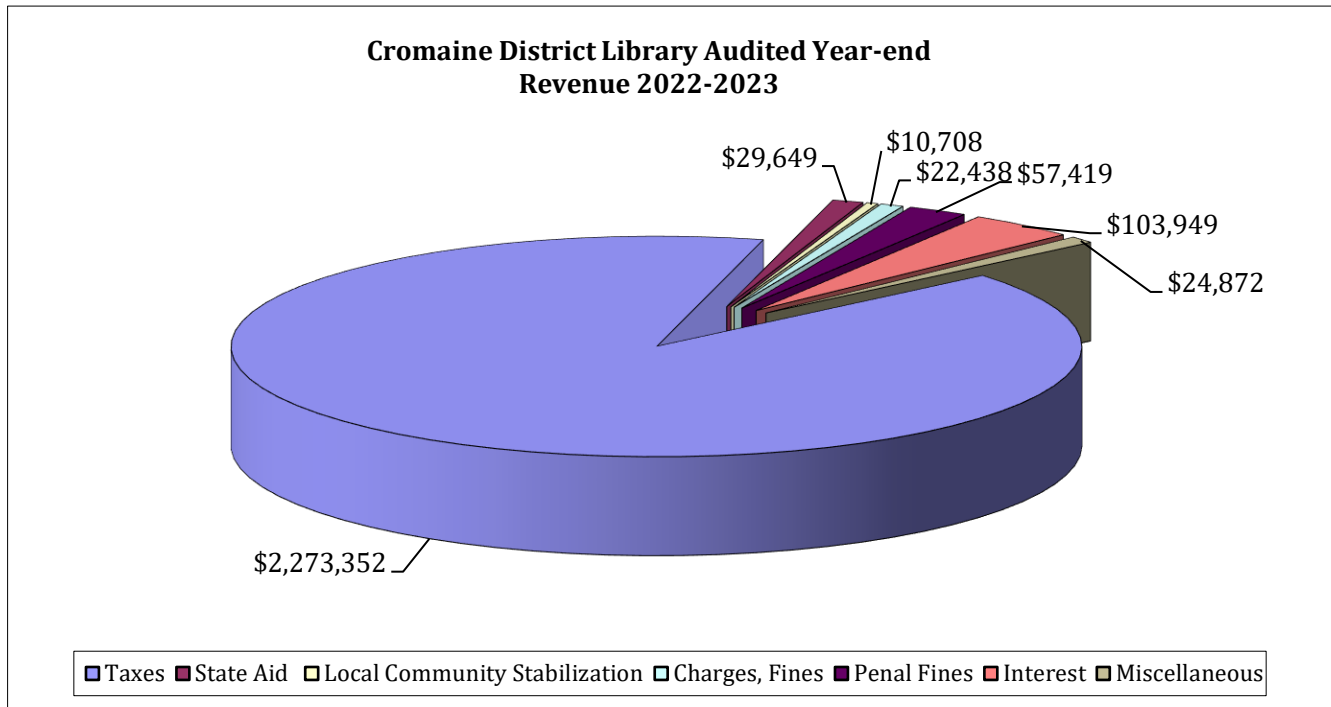
Total revenues for the fiscal year ended June 30, 2023, were \$2,522,387, an increase of 7.81% over the prior fiscal year. The largest component of revenue was property taxes which make up approximately 90.13% of the total revenue and increased approximately 5.00% due to an increase in the taxable value of property.

Total expenditures for the fiscal year ended June 30, 2023, were \$1,956,364, an increase of \$106,584 from the prior fiscal year. The largest component of expenditures was salaries and fringe benefits which totaled \$1,298,873 or approximately 66.39% of the total expenditures. One of the most significant changes to the Library's expenditures was in capital outlay, which increased approximately 15.68% from the prior fiscal year. This increase in capital outlay is due to multiple purchases, including the remodel of the Library's teen room.

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

Budgetary Highlights

Over the course of the fiscal year, the Library's Board of Trustees made no revisions to the General Fund. Actual expenditures came in \$383,352 under the final budgeted amount adopted by the Library's Board of Trustees. Actual revenues were \$144,601 more than the final anticipated amount with the net change in fund balance being an increase of \$566,023.



CROMAINE DISTRICT LIBRARY MANAGEMENT'S DISCUSSION AND ANALYSIS

With the close of the 2022/2023 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, 2023, and June 30, 2022 the Library had \$2,990,800 and \$3,029,173, respectively, invested in land, building, and furniture and equipment (net of accumulated depreciation). During the year ended June 30, 2023, the Library added \$76,724, to capital assets. These additions included new furniture in the Youth and Teen rooms within the Library as well as the purchase of new computers, a picnic table, and sanitary station and well water waste pump. See Note 3 in the financial statements for more details related to the Library's capital assets.

The Library's indebtedness totaled \$30,120 and \$26,728 of compensated absences at June 30, 2023 and June 30, 2022, 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 2023/2024

Planned capital outlay for the year includes sidewalk replacement and repair, flooring replacement in the main entry and four bathrooms, along with updates to the staff work areas, including furniture and public signage. Technology investments will include upgraded and new servers, a new Firewall and Router, 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, 2023**

| | Governmental Activities |
|---|----------------------------|
| ASSETS | |
| Current assets | |
| Cash and cash equivalents | \$ 825,107 |
| Investments | 3,635,575 |
| Prepays | 35,281 |
| Total current assets | 4,495,963 |
| Noncurrent assets | |
| Capital assets not being depreciated | 338,813 |
| Capital assets, net of accumulated depreciation | 2,651,987 |
| Total noncurrent assets | 2,990,800 |
| TOTAL ASSETS | 7,486,763 |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable | 11,184 |
| Accrued liabilities | 38,808 |
| Compensated absences | 30,120 |
| TOTAL LIABILITIES | 80,112 |
| NET POSITION | |
| Investment in capital assets | 2,990,800 |
| Restricted | 8,053 |
| Unrestricted | 4,407,798 |
| TOTAL NET POSITION | \$ 7,406,651 |

See accompanying notes to financial statements.

**CROMAINE DISTRICT LIBRARY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense) Revenues and Changes in Net Position</u> |
|-------------------------------|---------------------|---------------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | |
| Governmental activities | | | | |
| Recreation and culture | <u>\$ 1,998,129</u> | <u>\$ 22,438</u> | <u>\$ 24,817</u> | <u>\$ (1,950,874)</u> |
| General revenues | | | | |
| Property taxes | | | | 2,273,352 |
| State aid | | | | 29,649 |
| Penal fines | | | | 57,419 |
| Local community stabilization | | | | 10,708 |
| Investment income | | | | 103,949 |
| Miscellaneous | | | | <u>55</u> |
| | | | | <u>2,475,132</u> |
| | | | | 524,258 |
| | | | | <u>6,882,393</u> |
| | | | | <u>\$ 7,406,651</u> |

See accompanying notes to financial statements.

**CROMAINE DISTRICT LIBRARY
GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2023**

| | General |
|---|---------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 825,107 |
| Investments | 3,635,575 |
| Prepays | 35,281 |
| TOTAL ASSETS | \$ 4,495,963 |
| LIABILITIES | |
| Accounts payable | \$ 11,184 |
| Accrued liabilities | 38,808 |
| TOTAL LIABILITIES | 49,992 |
| FUND BALANCE | |
| Nonspendable | 35,281 |
| Restricted | 8,053 |
| Assigned | 1,320,421 |
| Unassigned | 3,082,216 |
| TOTAL FUND BALANCE | 4,445,971 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 4,495,963 |

See accompanying notes to financial statements.

**CROMAINE DISTRICT LIBRARY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total fund balance - governmental fund \$ 4,445,971

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 | \$ 5,621,866 | |
| Accumulated depreciation is | <u>(2,631,066)</u> | |
| Capital assets, net | | 2,990,800 |

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>(30,120)</u> |
|----------------------|--|-----------------|

Net position of governmental activities \$ 7,406,651

**CROMAINE DISTRICT LIBRARY
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2023**

| | General |
|---------------------------------|--------------|
| REVENUES | |
| Property taxes | \$ 2,273,352 |
| Intergovernmental | 97,776 |
| Charges for services | 22,438 |
| Investment income | 103,949 |
| Other | 24,872 |
| TOTAL REVENUES | 2,522,387 |
| EXPENDITURES | |
| Current | |
| Recreation and culture | 1,863,783 |
| Capital outlay | 92,581 |
| TOTAL EXPENDITURES | 1,956,364 |
| NET CHANGE IN FUND BALANCE | 566,023 |
| Fund balance, beginning of year | 3,879,948 |
| Fund balance, end of year | \$ 4,445,971 |

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, 2023**

Net change in fund balance - governmental fund \$ 566,023

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 | \$ | 76,724 |
| Depreciation expense | | <u>(115,097)</u> |

| | | |
|--|--|----------|
| Excess of depreciation expense over capital outlay | | (38,373) |
|--|--|----------|

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>(3,392)</u> |
|------------------------------------|--|----------------|

| | | |
|--|--|--------------------------|
| Change in net position of governmental activities | | <u><u>\$ 524,258</u></u> |
|--|--|--------------------------|

**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, 2023, the Library levied 1.4494 mills. The total taxable value for the 2022 levy for the property within the Townships was \$1,570,433,627.

**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, 2023, 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, 2023, the Library's deposits were insured by the Federal Deposit Insurance Corporation (FDIC) for \$417,375. The remaining amount of \$4,066,024 was uninsured and uncollateralized. The cash and cash equivalents reported in the financial statements include \$218 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 | \$ 3,635,575 | 237.16 |

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 | \$ - | \$ 3,635,575 | \$ - | \$ 3,635,575 |

The following summarizes the categorization of these amounts as of June 30, 2023:

| <u>Account Type</u> | <u>Carrying Amount</u> | <u>Bank Balance</u> |
|-------------------------------|----------------------------|-------------------------|
| Checking and deposit accounts | \$ 657,514 | \$ 680,449 |
| Investments - current | 3,635,575 | 3,635,575 |
| Money market funds | 167,375 | 167,375 |
| Imprest cash | 218 | - |
| TOTAL | \$ 4,460,682 | \$ 4,483,399 |

**CROMAINE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

| | Balance July 1, 2022 | Additions | Deletions | Balance June 30, 2023 |
|--|-------------------------|--------------------|-------------|--------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 338,813 | \$ - | \$ - | \$ 338,813 |
| Capital assets being depreciated | | | | |
| Buildings | 3,801,204 | 14,250 | - | 3,815,454 |
| Building improvements | 587,727 | 33,406 | - | 621,133 |
| Computers | 542,471 | 8,012 | - | 550,483 |
| Equipment | 274,927 | 21,056 | - | 295,983 |
| Total capital assets being depreciated | 5,206,329 | 76,724 | - | 5,283,053 |
| Less accumulated depreciation for | | | | |
| Buildings | (1,502,903) | (74,335) | - | (1,577,238) |
| Building improvements | (225,503) | (29,391) | - | (254,894) |
| Computers | (540,315) | (2,783) | - | (543,098) |
| Equipment | (247,248) | (8,588) | - | (255,836) |
| Total accumulated depreciation | (2,515,969) | (115,097) | - | (2,631,066) |
| Net capital assets being depreciated | 2,690,360 | (38,373) | - | 2,651,987 |
| Capital assets, net | <u>\$ 3,029,173</u> | <u>\$ (38,373)</u> | <u>\$ -</u> | <u>\$ 2,990,800</u> |

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, 2023:

| | Balance July 1, 2022 | Additions | Deletions | Balance June 30, 2023 | Amounts Due Within One Year |
|----------------------|-------------------------|------------------|--------------------|--------------------------|-----------------------------------|
| Compensated absences | <u>\$ 26,728</u> | <u>\$ 39,470</u> | <u>\$ (36,078)</u> | <u>\$ 30,120</u> | <u>\$ 30,120</u> |

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 \$30,120 at June 30, 2023.

**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, 2023, the Library contributed \$79,000 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, 2023:

| | | |
|--|----|----------------------------|
| Fund Balance | | |
| Nonspendable | | |
| Prepays | \$ | 35,281 |
| Restricted | | |
| Hartland Township community projects grant | | 8,053 |
| Assigned | | |
| Programs | | 117,167 |
| Capital improvements | | 1,203,254 |
| Unassigned | | <u>3,082,216</u> |
| TOTAL FUND BALANCE | | <u><u>\$ 4,445,971</u></u> |

**CROMAINE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior period, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Library is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024 fiscal year.

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 2025 fiscal year.

NOTE 9 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2023, the Library implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements*, was issued by the GASB in May 2020. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset -an intangible asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

There was no material impact on the Library's financial statements after the adoption of GASB Statement No. 96.

REQUIRED SUPPLEMENTARY INFORMATION

**CROMAINE DISTRICT LIBRARY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2023**

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget |
|-----------------------------------|----------------------------|----------------------------|----------------------------|-------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | Positive (Negative) |
| REVENUES | | | | |
| Property taxes | \$ 1,653,692 | \$ 2,275,436 | \$ 2,273,352 | \$ (2,084) |
| Intergovernmental | | | | |
| State aid | 12,500 | 25,000 | 29,649 | 4,649 |
| Penal fines | 30,000 | 60,000 | 57,419 | (2,581) |
| Local community stabilization | - | - | 10,708 | 10,708 |
| Charges for services | | | | |
| Fines and forfeits | 900 | 1,350 | 2,985 | 1,635 |
| Other | 1,250 | 14,500 | 19,453 | 4,953 |
| Investment income | 1,500 | - | 103,949 | 103,949 |
| Other | | | | |
| Grants | - | - | 16,553 | 16,553 |
| Contributions | - | - | 8,264 | 8,264 |
| Miscellaneous | - | 1,500 | 55 | (1,445) |
| TOTAL REVENUES | <u>1,699,842</u> | <u>2,377,786</u> | <u>2,522,387</u> | <u>144,601</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Recreation and culture | | | | |
| Administrative | 4,875 | 9,750 | 6,354 | 3,396 |
| Salaries and fringe benefits | 739,635 | 1,479,271 | 1,298,873 | 180,398 |
| Supplies | 9,000 | 22,000 | 18,908 | 3,092 |
| Community relations | 41,250 | 105,500 | 68,033 | 37,467 |
| Professional services | 59,125 | 120,250 | 80,515 | 39,735 |
| Technology | 28,750 | 57,500 | 55,264 | 2,236 |
| Professional development | 17,725 | 33,700 | 15,123 | 18,577 |
| Library materials | 121,500 | 244,000 | 220,344 | 23,656 |
| Insurance | 38 | 26,075 | 23,159 | 2,916 |
| Utilities | 24,000 | 50,750 | 45,471 | 5,279 |
| Rent | 960 | 1,920 | 1,920 | - |
| Repairs and maintenance | 26,500 | 50,000 | 29,819 | 20,181 |
| Capital outlay | 117,500 | 139,000 | 92,581 | 46,419 |
| TOTAL EXPENDITURES | <u>1,190,858</u> | <u>2,339,716</u> | <u>1,956,364</u> | <u>383,352</u> |
| NET CHANGE IN FUND BALANCE | 508,984 | 38,070 | 566,023 | 527,953 |
| Fund balance, beginning of year | <u>3,879,948</u> | <u>3,879,948</u> | <u>3,879,948</u> | <u>-</u> |
| Fund balance, end of year | <u><u>\$ 4,388,932</u></u> | <u><u>\$ 3,918,018</u></u> | <u><u>\$ 4,445,971</u></u> | <u><u>\$ 527,953</u></u> |

OTHER SUPPLEMENTARY INFORMATION

**CROMAINE DISTRICT LIBRARY
GENERAL FUND
COMBINING SCHEDULE
YEAR ENDED JUNE 30, 2023**

| | <u>Operating</u> | <u>Gift</u> | <u>Improvement</u> | <u>Total General Fund</u> |
|---|---------------------|-------------------|---------------------|-------------------------------|
| REVENUES | | | | |
| Property taxes | \$ 2,273,352 | \$ - | \$ - | \$ 2,273,352 |
| Intergovernmental | | | | |
| State aid | 29,649 | - | - | 29,649 |
| Penal fines | 57,419 | - | - | 57,419 |
| Local community stabilization | 10,708 | - | - | 10,708 |
| Charges for services | | | | |
| Fines and forfeits | 2,985 | - | - | 2,985 |
| Other | 19,453 | - | - | 19,453 |
| Investment income | 55,207 | - | 48,742 | 103,949 |
| Other | | | | |
| Grants | - | 16,553 | - | 16,553 |
| Contributions | 6,000 | 2,264 | - | 8,264 |
| Miscellaneous | 55 | - | - | 55 |
| | <u>2,454,828</u> | <u>18,817</u> | <u>48,742</u> | <u>2,522,387</u> |
| TOTAL REVENUES | | | | |
| EXPENDITURES | | | | |
| Current | | | | |
| Recreation and culture | | | | |
| Administrative | 6,353 | - | - | 6,353 |
| Salaries and fringe benefits | 1,298,873 | - | - | 1,298,873 |
| Supplies | 18,827 | 81 | - | 18,908 |
| Community relations | 67,478 | 555 | - | 68,033 |
| Professional services | 80,515 | - | - | 80,515 |
| Technology | 54,567 | 697 | - | 55,264 |
| Professional development | 15,076 | 47 | - | 15,123 |
| Library materials | 219,722 | 622 | - | 220,344 |
| Insurance | 23,159 | - | - | 23,159 |
| Utilities | 45,471 | - | - | 45,471 |
| Rent | 1,921 | - | - | 1,921 |
| Repairs and maintenance | 29,669 | 150 | - | 29,819 |
| Capital outlay | - | - | 92,581 | 92,581 |
| | <u>1,861,631</u> | <u>2,152</u> | <u>92,581</u> | <u>1,956,364</u> |
| TOTAL EXPENDITURES | | | | |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>593,197</u> | <u>16,665</u> | <u>(43,839)</u> | <u>566,023</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 202,820 | 202,820 |
| Transfers out | <u>(202,820)</u> | <u>-</u> | <u>-</u> | <u>(202,820)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(202,820)</u> | <u>-</u> | <u>202,820</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | 390,377 | 16,665 | 158,981 | 566,023 |
| Fund balance, beginning of year | <u>2,735,173</u> | <u>100,502</u> | <u>1,044,273</u> | <u>3,879,948</u> |
| Fund balance, end of year | <u>\$ 3,125,550</u> | <u>\$ 117,167</u> | <u>\$ 1,203,254</u> | <u>\$ 4,445,971</u> |



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

☎ 517.323.7500

📠 517.323.6346

October 2, 2023

To the Board of Trustees of the
Cromaine District Library
Hartland, Michigan

In planning and performing our audit of the financial statements of the governmental activities and the major fund of the Cromaine District Library (the Library) as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Library's internal control over financial reporting (internal control) as a basis for designing 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in internal control to be a significant deficiency:

TIMELINESS OF BANK RECONCILIATIONS

During our analysis of the Library's cash accounts, we noted that the bank reconciliations had not been completed within thirty days of month end. All bank reconciliations should be completed in a timely manner and any adjustments noted should be investigated, supported, and resolved within a reasonable time after each month-end to assure accuracy of the amounts in the general ledger.

Client Response: There was only one month during the period under audit where bank reconciliations were not completed in a timely matter. This was attributed to the transition from QuickBooks desktop to QuickBooks online. The Library made the decision to wait for the conversion to be finalized before completing the subsequent months reconciliations. The Library has taken additional measures to ensure this deficiency is not repeated in future periods.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters.

This communication is intended solely for the information and use of management and the Board of Trustees of Cromaine District Library, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Maney Costeiran PC



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

☎ 517.323.7500

📠 517.323.6346

October 2, 2023

To the Board of Trustees of the
Cromaine District Library
Hartland, Michigan

We have audited the financial statements of the governmental activities and the major fund of the Cromaine District Library (the Library) for the year ended June 30, 2023, and have issued our report thereon dated October 1, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 10, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Cromaine District Library are described in Note 1 to the financial statements. The Library adopted Governmental Accounting Standards Board Statement (GASB Statement) No. 96, *Subscription-Based Information Technology Arrangements*, during the fiscal year ended June 30, 2023. We noted no transactions entered into by the Library during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's calculation of depreciation expense for the current period is based on an estimate of the useful lives of the capital assets.

Management's calculation of the current and noncurrent compensated absence liabilities is based on an estimate of the timing of employees' earnings and use of compensated absences.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are 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 misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No misstatements were detected as a result of audit procedures.

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 October 2, 2023.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the management's discussion and analysis and budgetary comparison 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.

We were engaged to report on the General Fund Combining Schedule, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

Very truly yours,

Maney Costeiron PC