

**Shiawassee District Library  
Shiawassee County, Michigan**

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

**YEAR ENDED NOVEMBER 30, 2023**

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## INDEPENDENT AUDITOR'S REPORT

April 22, 2024

To the Board Members  
Shiawassee District Library  
Shiawassee County, Michigan

### Opinion

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Shiawassee District Library (the "Library"), Shiawassee County, Michigan, as of and for the year ended November 30, 2023, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Shiawassee District Library, Shiawassee County, Michigan as of November 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Shiawassee District Library, Shiawassee County, Michigan's ability to continue as a going concern within one year after the date that the financial statements are available to be issued, 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 opinion. 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as identified in the table of contents, be presented to supplement the basic financial statements. Such information, 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.

*VMD & Associates, PLLC*

Certified Public Accountants

**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**Shiawassee District Library, Shiawassee County, Michigan**

The Shiawassee District Library’s management provides interested parties with the following report of the Library's financial statements and a narrative overview and analysis of the financial activities of the Shiawassee District Library for the fiscal year ended November 30, 2023. Readers are encouraged to consider information presented here in conjunction with the financial statements as a whole.

**FINANCIAL HIGHLIGHTS**

*Government-wide:*

- The assets of the Shiawassee District Library exceeded its liabilities in the Library’s governmental activities at the close of the most recent fiscal year by \$2,019,502 (net position). Of this amount, \$650,846 may be used to meet the Library’s ongoing obligations to citizens and creditors.
- The government’s total net position decreased by \$10,517.

*Fund-level:*

- As of the close of the current fiscal year, the Library's governmental funds reported combined ending fund balances of \$1,437,204 an decrease of \$4,407 in comparison with the prior year. \$464,406 is available for spending at the Library’s discretion (unassigned fund balance).

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Shiawassee District Library’s basic financial statements. The Library's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

**Government-wide Financial Statements (Reporting the Library as a Whole)**

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Shiawassee District Library, Shiawassee County, Michigan**

**Government-wide Financial Statements (Reporting the Library as a Whole, continued)**

The *statement of activities* presents information showing how the Library's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but used vacation leave, long-term debt, etc.)

Both of the government-wide financial statements present the functions of the Library that are principally supported by taxes and intergovernmental revenues (governmental activities). The Library had no business-type activities as of and for the year ended November 30, 2023.

**Fund Financial Statements (Reporting the Library's Major Funds)**

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

**Government Funds**

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

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

The Library maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, and the Helen Thome Trust special revenue fund, both of which are major funds.

The Library adopts an annual appropriated budget for its general fund and special revenue fund. Budgetary comparison statements have been provided for the general fund and each major special revenue fund in the required supplementary information to demonstrate compliance with budgets.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Shiawassee District Library, Shiawassee County, Michigan**

**Fund Financial Statements (Reporting the Library's Major Funds) (continued)**

*Proprietary Funds*

*Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Library had no proprietary fund as of and for the year ended November 30, 2023.

*Fiduciary Funds*

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Library's own programs. These funds are accounted for using the full accrual method of accounting, much like the proprietary funds. The Library had no fiduciary fund as of and for the year ended November 30, 2023.

**Notes to the Financial Statements**

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

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the Library's budgetary comparison schedules and the required pension schedules.

This report also presents other supplementary information which includes the nonmajor fund combining statements. The combining statements are presented immediately following the required supplementary information.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Shiawassee District Library, Shiawassee County, Michigan**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

*Summary of Net Position*

As noted earlier, net position may serve over time as a useful indicator of the Library's financial position. In the case of the Shiawassee District Library, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,019,502 at the close of the most recent fiscal year as compared to \$2,030,019 from the prior year. The following summarizes the net position as of November 30, 2023 and 2022.

**SUMMARY OF NET POSITION**

	<b>2023</b>	<b>2022</b> <b>(audited by others)</b>
<b>ASSETS</b>		
Current Assets	\$ 1,490,272	\$ 1,652,273
Capital Assets	607,513	546,551
Total Assets	<u>2,097,785</u>	<u>2,198,824</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Pension Related	289,093	153,620
Total Deferred Outflow of Resources	<u>289,093</u>	<u>153,620</u>
Total Assets and Deferred Outflow of Resources	<u><u>2,386,878</u></u>	<u><u>2,352,444</u></u>
<b>LIABILITIES</b>		
Current Liabilities	55,254	29,701
Noncurrent Liabilities	172,183	25,970
Total Liabilities	<u>227,437</u>	<u>55,671</u>
<b>DEFERRED INFLOW OF RESOURCES</b>		
Pension	139,939	266,754
Total Deferred Inflow of Resources	<u>139,939</u>	<u>266,754</u>
Total Liabilities and Deferred Inflow of Resources	<u><u>367,376</u></u>	<u><u>322,425</u></u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	607,513	546,551
Nonspendable	15,421	-
Restricted	745,722	805,760
Unrestricted	650,846	677,708
Total Net Position	<u><u>\$2,019,502</u></u>	<u><u>\$2,030,019</u></u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Shiawassee District Library, Shiawassee County, Michigan**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

*Changes in Net Position*

Governmental activities decreased the Library's net position by \$10,517 as compared to a decrease of \$96,408 from the previous year. The following summarizes changes in net position for the year ended November 30, 2023 and 2022.

**CHANGES IN NET POSITION**

	<b>2023</b>	<b>2022</b> <b>(audited by others)</b>
<b>REVENUES</b>		
Program Revenues:		
Charges for services	\$ 20,451	\$ 8,019
Grants and contributions	14,600	15,133
General Revenues:		
Property taxes	879,988	773,422
District court penal fines	35,754	36,440
State aid	27,758	64,638
Investment earnings (losses)	29,111	(98,470)
Donations	8,302	-
Reimbursements and other income	12,560	-
Total Revenues	1,028,524	799,182
<b>EXPENSES</b>		
Library services	1,039,041	895,590
Total Expenses	1,039,041	895,590
Change in Net Position	(10,517)	(96,408)
Net position at beginning of year	2,030,019	2,126,427
Net position at end of year	\$2,019,502	\$ 2,030,019

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Shiawassee District Library, Shiawassee County, Michigan**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

**Governmental activities.**

The largest portion of the Library's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Library used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Library's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. It should be noted that the Library currently has no outstanding debt.

The remaining balance of unrestricted net position may be used to meet the Library's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Library is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

An additional portion of the Library's net position represents resources that are subject to external restriction on how they may be used. The remaining balance of net position of \$650,846 may be used to meet the government's ongoing obligations to citizens and creditors.

The government's net position decreased by \$10,517 during the current fiscal year, as compared to a decrease of \$96,408 in the previous fiscal year.

Key elements of the change in net position are as follows:

- The Library's primary source of revenue is from property taxes. Property tax revenues were higher in comparison to the prior year.
- As a whole, the Library's other sources of revenues were higher in the current fiscal year as compared to the prior year, such as charges for services and investment income.
- Increases in overall governmental spending as compared to the prior year. Primarily for capital outlay and general operations.

**FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS**

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

Governmental funds - The focus of the Library's governmental funds is to provide information on inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Library's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Library's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Library's governmental funds reported combined ending fund balances of \$1,437,207. Of this amount, \$464,406 is unassigned fund balance, which is available for spending at the Library's discretion.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Shiawassee District Library, Shiawassee County, Michigan**

**BUDGETARY HIGHLIGHTS**

*Original budget compared to final budget.* During the year, there were no significant amendments to the original budget appropriations. All other budget amendments during the year were relatively minor or movement between functions to better allocate costs.

*Final budget compared to actual results.* Expenses were in line with budget with exceptions noted in the notes to required supplementary information Note 1: Excess Expenditures Over Appropriations.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Library's investment in capital assets for its governmental activities as of November 30, 2023 amounted to \$607,513 (net of accumulated depreciation). Additional information on capital assets may be found in the notes to financial statements found on pages 18-31.

**Long-term Debt**

At the end of the current year, the Library had no debt outstanding, exclusive of compensated absences.

**KNOWN FACTORS AFFECTING FUTURE OPERATIONS**

The Shiawassee District Library receives only constitutional revenue sharing and therefore expects that State-shared revenues will remain relatively flat or slightly increase in the future fiscal years. Taxable value increased from last year. These factors were considered in preparing the Library's budget for the next fiscal year.

**CONTACTING THE LIBRARY'S MANAGEMENT**

This financial report is designed to provide a general overview of the Shiawassee District Library's finances for all those with an interest in the Library's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of the Shiawassee District Library, 502 W. Main Street, Owosso, MI. 48867, or calling (989) 725-5134.

**SHIAWASSEE DISTRICT LIBRARY  
STATEMENT OF NET POSITION  
NOVEMBER 30, 2023**

	<u>Governmental activities</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 524,575
Investments	951,345
Due from other governmental units	8,931
Prepaid expenses	5,421
Total current assets	<u>1,490,272</u>
<b>Noncurrent Assets</b>	
Capital assets net of accumulated depreciation	607,513
Net pension asset	-
Total noncurrent assets:	<u>607,513</u>
Total Assets	<u>2,097,785</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Pension related	<u>289,093</u>
Total Deferred Outflow of Resources	<u>289,093</u>
Total Assets and Deferred Outflow of Resources	<u><u>2,386,878</u></u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	37,494
Accrued payroll & related liabilities	15,574
Current portion of compensated absences	2,186
Total current liabilities	<u>55,254</u>
<b>Noncurrent Liabilities</b>	
Compensated absences	19,677
Net pension liability	152,506
Total noncurrent liabilities	<u>172,183</u>
Total Liabilities	<u>227,437</u>

**SHIAWASSEE DISTRICT LIBRARY**  
**STATEMENT OF NET POSITION (concluded)**  
**NOVEMBER 30, 2023**

**DEFERRED INFLOW OF RESOURCES**

Pension related	139,939
Total Deferred Inflow of Resources	139,939
Total Liabilities and Deferred Inflow of Resources	367,376

**NET POSITION**

Net investment in capital assets	607,513
Nonspendable - Endowments	15,421
Restricted	
Library materials and equipment	734,689
Staff scholarships	11,033
Assigned	
Capital improvements	211,655
Unrestricted	439,191
Total Net Position	2,019,502
Total Liabilities, Deferred Inflow of Resources, and Net	\$ 2,386,878

See notes to financial statements

**SHIAWASSEE DISTRICT LIBRARY  
STATEMENT OF ACTIVITIES  
YEAR ENDED NOVEMBER 30, 2023**

		Program revenues		
Functions/Programs	Expenses	Charges for services	Grants and contributions	Net (Expense) Revenue
<b>Governmental activities:</b>				
Library services	\$ 1,039,041	\$ 20,451	\$ 14,600	\$ (1,003,990)
<b>General purpose revenues:</b>				
Property taxes				879,988
Penal fines				35,754
State aid				27,758
Investment earnings (losses)				29,111
Donations				8,302
Reimbursements and other income				12,560
Total general purpose revenues				993,473
CHANGE IN NET POSITION				(10,517)
NET POSITION, beginning of year				2,030,019
NET POSITION, end of year				\$ 2,019,502

See notes to financial statements

**SHIAWASSEE DISTRICT LIBRARY  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
YEAR ENDED NOVEMBER 30, 2023**

	<u>Special Revenue</u>		<u>Non-Major</u>	<u>Total</u>
	<u>General Fund</u>	<u>Helen Thome Trust Fund</u>	<u>Permanent Fund-Staff Scholarship Fund</u>	
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 519,542	\$ -	\$ 5,033	\$ 524,575
Investments	200,656	734,689	16,000	951,345
Due from other governmental units	8,931	-	-	8,931
Prepaid expenses	5,421	-	-	5,421
Total Current Assets	<u>734,550</u>	<u>734,689</u>	<u>21,033</u>	<u>1,490,272</u>
Total Assets	<u>\$ 734,550</u>	<u>\$ 734,689</u>	<u>\$ 21,033</u>	<u>\$ 1,490,272</u>
<b>LIABILITIES, DEFERRED INFLOW, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Current Liabilities:				
Accounts payable	\$ 37,494	\$ -	\$ -	\$ 37,494
Accrued payroll and related liabilities	15,574	-	-	15,574
Total Current Liabilities	<u>53,068</u>	<u>-</u>	<u>-</u>	<u>53,068</u>
Total Liabilities	53,068	-	-	53,068
<b>Fund Balances:</b>				
Nonspendable	5,421	-	10,000	15,421
Restricted				
Library materials and equipment	-	734,689	-	734,689
Staff scholarships	-	-	11,033	11,033
Assigned	-	-	-	-
Capital improvements	211,655	-	-	211,655
Unassigned	464,406	-	-	464,406
Total Fund Balances	<u>681,482</u>	<u>734,689</u>	<u>21,033</u>	<u>1,437,204</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>\$ 734,550</u>	<u>\$ 734,689</u>	<u>\$ 21,033</u>	<u>\$ 1,490,272</u>

See notes to financial statements



**SHIAWASSEE DISTRICT LIBRARY  
GOVERNMENTAL FUNDS  
RECONCILIATION OF BALANCE SHEET TO STATEMENT OF NET POSITION  
YEAR ENDED NOVEMBER 30, 2023**

<b>Total fund balance - governmental funds</b>	<b>\$ 1,437,204</b>
 Total net position reported for governmental activities in the statement of net position is different because:	
 Certain liabilities, such as compensated absences are not due and payable in the current period and therefore are not reported in the funds.	
Accrued employee benefits	(21,863)
 Net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.	
Net pension asset	-
Net pension liability	(152,506)
Deferred outflows related to the pension plan	289,093
Deferred inflows related to the pension plan	(139,939)
 Fixed assets are capitalized in the statement of net position and depreciated in the statement of activities. These are expensed when acquired in the statement of revenue, expenditures, and changes in fund balance.	
Capital assets being depreciated, net	<u>607,513</u>
 <b>Total net position - governmental activities</b>	 <b><u>\$ 2,019,502</u></b>

See notes to financial statements

**SHIAWASSEE DISTRICT LIBRARY  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
YEAR ENDED NOVEMBER 30, 2023**

	<u>Special Revenue</u>			<u>Non-Major Permanent Fund- Staff Scholarship Fund</u>	<u>Total</u>
	<u>General Fund</u>	<u>Helen Thome Trust Fund</u>			
<b>REVENUES</b>					
Property taxes	\$ 879,988	\$ -	\$ -	\$ 879,988	
Penal fines	35,754	-	-	35,754	
Grants	14,600			14,600	
State aid	27,758	-	-	27,758	
Fines and fees	20,451	-	-	20,451	
Investment earnings (losses)	11,019	17,463	629	29,111	
Donations	8,302	-	-	8,302	
Reimbursements and other income	12,560	-	-	12,560	
<b>TOTAL REVENUE</b>	<u>1,010,432</u>	<u>17,463</u>	<u>629</u>	<u>1,028,524</u>	
<b>EXPENDITURES:</b>					
Salaries and wages	514,163	-	-	514,163	
Payroll taxes	48,803	-	-	48,803	
Employee benefits	47,037	-	-	47,037	
Pension	24,348	-	-	24,348	
Supplies	13,997	-	-	13,997	
Insurance	8,424	-	-	8,424	
Professional services	41,183	-	-	41,183	
Membership and dues	16,679	-	-	16,679	
Education and training	2,030	-	-	2,030	
Utilities	29,390	-	-	29,390	
Maintenance and repairs	41,671	-	-	41,671	
Library materials	104,130	-	-	104,130	
Library programs	5,978	-	-	5,978	
Marketing and web hosting	6,081	-	-	6,081	
Postage	750	-	-	750	
Other operating expenses	15,278	-	-	15,278	
Rent	6,175	-	-	6,175	
Miscellaneous	23	-	-	23	
Capital outlay	106,791	-	-	106,791	
<b>TOTAL EXPENDITURES</b>	<u>1,032,931</u>	<u>-</u>	<u>-</u>	<u>1,032,931</u>	
<b>NET CHANGE IN FUND BALANCE</b>	<u>(22,499)</u>	<u>17,463</u>	<u>629</u>	<u>(4,407)</u>	
<b>FUND BALANCE, December 1, 2022</b>	798,981	622,226	20,404	1,441,611	
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In(Out)	(95,000)	95,000	-	-	
<b>FUND BALANCE, November 30, 2023</b>	<u>\$ 681,482</u>	<u>\$ 734,689</u>	<u>\$ 21,033</u>	<u>\$ 1,437,204</u>	

See notes to financial statements

**SHIAWASSEE DISTRICT LIBRARY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE  
STATEMENT OF ACTIVITIES  
YEAR ENDED NOVEMBER 30, 2023**

**Net change in fund balances - total governmental funds** \$ (4,407)

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

Change to compensated absences are not shown in the statement of activities. The net effect of current year decrease is to increase net position.

Change in accrued employee benefits 4,107

The statement of activities reports changes to net pension liability and pension related deferrals as pension expense; however, the expenditures recorded on the governmental funds is equal to actual pension contributions.

Change in the net pension asset and related deferred amounts (71,179)

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over the estimated useful lives as depreciation:

Capital outlay	188,523
Depreciation expense	<u>(127,561)</u>

**Change in net position of governmental activities** \$ (10,517)

See notes to financial statements

**SHIAWASSEE DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Effective July 1, 1994, the Library of Owosso, the Library of Durand, and Bennington, Owosso, and Rush Townships signed a district library agreement, creating the Shiawassee District Library (the “Library”) and is comprised of all the territory within these jurisdictional limits. The Library is funded through property taxes, fines, fees, grants, state aid, and donations. The voters of the library district approved a 1.25 mill tax for a 10-year period, which began with a tax levy effective December 31, 2022. This millage provides for funding of Library operations through December 1, 2032.

The Library has two branches located in Owosso and Durand. The Library is governed by an eight-member board. The board consists of three members appointed by the Library of Owosso, two members appointed by the Library of Durand, and three members appointed collectively by the townships. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

The accounting policies of the Library conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

**B. Description of Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities are supported by taxes, special assessments and intergovernmental revenues.

**C. Basis of Presentation - Government-wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**D. Basis of Presentation - Fund Financial Statements**

The fund financial statements provide information about the Library’s funds. Separate statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The emphasis of fund financial statements is on the major governmental funds, each displayed in a separate column. All remaining governmental are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The Library reported no proprietary or fiduciary funds for the year ended November 30, 2023.

The Library reports the following major governmental funds:

The *general fund* is the Library’s primary operating fund. It accounts for all the financial resources of the Library, except those required to be accounted for in another fund.

The *Helen Thome Trust* is a special revenue fund. It is used to account for the activity related to the donation from Helen Thome Trust to be used for the purchase of library materials, furnishings, and equipment. The donor specified that both principal and interest may be used for these specific purposes.

**SHIAWASSEE DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Basis of Presentation - Fund Financial Statements (continued)**

The Library reports the following non-major fund:

The *Staff Scholarship Fund* is a permanent fund. It is used to account for donations made to the Kenneth and Suzanne Uptigrove Scholarship Fund which was established to provide scholarships to the Library's staff and families. The original contributions of \$10,000 to the fund are nonspendable and only further contributions and interest may be used for scholarships; however, limitations shall not apply if the donor specifies otherwise. Also, no scholarships may be awarded unless the fund balance exceeds \$10,000 in the given year.

Additionally, the Library reports the following fund types:

*Special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

*Permanent funds* are used to account for and report the activity of a fund where the principal cannot be used and only earnings on the fund are used for the benefit of designated recipients.

During the course of operations, the Library has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

**E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

**SHIAWASSEE DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Measurement Focus and Basis of Accounting (continued)**

General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Fees, fines, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. Only the portion of receivables due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

**F. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. Other funds do not have appropriated budgets.

The appropriated budget is prepared by fund, function and department. The Director may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed contracts for goods or services (i.e., purchase orders, contracts, and commitments). The Library does not utilize encumbrance accounting.

The budget was amended during the year with supplemental appropriations. The Library does not consider the amendments to be significant. Violations, if any, are noted in the required supplementary information sections.

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**1. Cash and Investments**

Cash includes amounts in petty cash and demand deposits. Investments include instruments allowed by state statute subsequently described. Investments are carried at fair value.

State statutes authorized the Library to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union.

Administration, respectively; and in commercial paper rated at the time of purchase withing 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.

The Library is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**SHIAWASSEE DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)**

**2. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” and are all current.

Receivables consist primarily of amounts for taxes and customer charges. Delinquent taxes are ultimately added to the tax roll and become a lien on the property. No allowance for doubtful accounts is considered necessary for the accounts and current taxes receivable.

**3. Leases**

The Library adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*.

*Lessee* leases require the recognition of right-to-use assets and lease liabilities for long-term leases; whereas *Lessor* leases require the recognition of a lease receivable and a deferred inflow of resources on the financial statements.

The Library leases its buildings from the City of Owosso and the City of Durand. The leases are non-exchange agreements as there is no required rent payments or a nominal fee which does not represent an exchange or exchange-like transaction.

**4. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**5. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure (usage rights), are reported in the applicable governmental activity column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Library books which comprise the Library’s collection are recorded as assets at cost. Because of their nature and relevance to the Library’s operations, they are capitalized despite individually being below the \$5,000 capitalization threshold.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Property, plant and equipment of the Library, as well as the component units, is depreciated using the straight-line method over the following estimated useful life:

<u>Assets</u>	<u>Years</u>
Furniture and equipment	3-10
Library books and materials	7

**SHIAWASSEE DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)**

**6. Compensated Absences**

It is the Library's policy to permit employees to accumulate earned but unused sick leave benefits up to a maximum of 120 days (960 hours). Employees will be paid on an annual basis for ½ of the days exceeding the maximum accumulated allowed at their current rate of pay. Upon retirement, full-time employees will be paid ½ of the maximum accumulated allowed of unused sick leave at their current rate of pay.

It is the Library's policy that employees must use their vacation days by the end of the current fiscal year unless prior approval is authorized by the director. Vacation time which has not been used by the time an employee retires or leaves his/her employment will be cashed out.

All sick leave and vacation pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only when they have matured or come due for payment, generally when an individual's employment has terminated or as of year-end.

**7. Pensions**

The purpose of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due or payable in accordance with the benefit terms. Investments are reported at fair value.

**8. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

The Library reports deferred inflows and outflows of resources related to its pension plan.

**9. Unearned Revenue**

Unearned revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.



**SHIAWASSEE DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)**

**10. Net position flow assumptions**

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

**11. Fund balance flow assumptions**

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

**12. Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: (a) not in spendable form, or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The Library itself can establish limitations on the use of resources through either a commitment (*committed fund balance*) or an assignment (*assigned fund balance*).

The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the Library's highest level of decision-making authority. The Library Board is the highest level of decision-making authority for the Library that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the *assigned fund balance* classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as committed. The Library Board has by resolution authorized the Director to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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

**SHIAWASSEE DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

**13. Comparative Data/Reclassifications**

Comparative total data for the prior year have been presented only for certain individual funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**14. Use of Estimates**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**H. Revenues and Expenditures/Expenses**

**1. Program revenues**

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**2. Property taxes**

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31 and are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Library's current tax year is levied and collectible on December 1, 2022 and is recognized as revenue for the year ended November 30, 2023, when the proceeds of the levy are budgeted and available for financing operations. The 2022 taxable value of the library district totaled \$684,925,635 (a portion of which is not captured from all jurisdictions), on which taxes levied consisted of 1.25 mills for operating purposes.

**SHIAWASSEE DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - CASH AND INVESTMENTS**

**Interest rate risk.** In accordance with its investment policy, 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 avoiding the need to sell securities prior to maturity and investing operating funds primarily in short term securities, money market mutual funds or similar public investment pools. Securities shall not normally be sold prior to maturity except to minimize loss of principal; to improve the quality, yield or target duration in the portfolio; or to meet liquidity needs.

**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).

**Concentration of credit risk.** The Library will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk-deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. As of November 30, 2023, \$0 of the Library's bank balance of \$530,759 was exposed to custodial credit risk because it was uninsured. Certificates of deposit amounted to \$120,374 and are included with investments. The amount on the books is \$524,575.

**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 had no such investments at November 30, 2023.

**Foreign currency risk.** The Library is not authorized to invest in investments which have this type of risk.

The deposits are reported in the financial statements as follows:

Cash and cash equivalents	\$ 524,575
Investments	951,345
	<u>\$ 1,475,920</u>

**SHIAWASSEE DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – CAPITAL ASSETS**

Capital asset activity for the year ended November 30, 2023 is as follows:

	<b>Balance November 30, 2022</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance November 30, 2023</b>
Capital assets being depreciated:				
Furniture and equipment	\$ 595,602	\$ 98,080	\$ (31,051)	\$ 662,631
Library books and materials	468,638	90,443	(151,209)	407,872
Total capital assets being depreciated	<u>1,064,240</u>	<u>188,523</u>	<u>(182,260)</u>	<u>1,070,503</u>
Accumulated depreciation for:				
Furniture and equipment	(250,910)	(59,195)	31,051	(279,054)
Library books and materials	(266,779)	(68,366)	151,209	(183,936)
Total accumulated depreciation	<u>(517,689)</u>	<u>(127,561)</u>	<u>182,260</u>	<u>(462,990)</u>
Net capital assets being depreciated	<u>\$ 546,551</u>	<u>\$ 60,962</u>	<u>\$ -</u>	<u>\$ 607,513</u>

**NOTE 4 – LONG-TERM OBLIGATIONS**

**Compensated Absences** – Individual employees have vested rights upon termination of employment to receive payments for unused sick/personal time. The dollar amount of these vested rights, which have been accrued on the financial statements in the government-wide financial statements, amounted to approximately \$21,863 at November 30, 2023, and \$25,970 at November 30, 2022. Library compensated absences will be paid primarily from the general fund.

Accumulated employee benefits activity for the year ended November 30, 2023 is as follows:

	<b>Balance November 30, 2022</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance November 30, 2023</b>
Compensated absences	\$ 25,970	\$ 32,218	\$ (36,325)	\$ 21,863

Compensated absences represent the estimated liability to be paid to employees under the Library’s sick pay policy and is generally liquidated by the General Fund.

**SHIAWASSEE DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – DEFINED BENEFIT PENSION PLAN**

**1. Pensions**

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**2. Plan Description**

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

**3. Benefits Provided**

The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. Pension benefits vary by division/bargaining unit and are calculated as final average compensation (based on a 5 year period) with multipliers ranging of 2.0% - 2.25%. Participants are considered to be fully vested in the plan after 10 years. Normal retirement age is 60, with early retirement at a reduced benefit at age 50 with 25 years of service, or age 55 with 15 years of service.

**4. Employees Covered by Benefit Terms**

At the December 31, 2022 valuation date, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	5
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>5</u>
<b>Total employees covered by MERS</b>	<u><u>13</u></u>

**5. Contributions**

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

Required employer contributions are 8.60% of covered payroll. Member contributions are 6%.

**SHIAWASSEE DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – DEFINED BENEFIT PENSION PLAN (continued)**

**6. Net Pension Asset (Liability)**

The net pension asset was measured as of December 31, 2022, and the total pension liability used to calculate the net pension asset was determined by annual actuarial valuation as of that date.

**7. Actuarial Assumptions**

The total pension liability in the December 31, 2022 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.00% net of investment and administrative expense including inflation

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

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

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Gross Rate of Return</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	60%	4.20%	2.70%
Global Fixed Income	20%	0.90%	0.40%
Private Investments	20%	1.90%	1.40%
	<u>100%</u>	<u>7.00%</u>	
Inflation			2.50%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u>7.25%</u>

**SHIAWASSEE DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – DEFINED BENEFIT PENSION PLAN (continued)**

**8. Discount Rate**

The discount rate used to measure the total pension liability as of December 31, 2022 was 7.25%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. The projection of cash flows used to determine the discount rate assumes the employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rate for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be able to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**9. Changes in Net Pension Asset (Liability)**

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

	Increase/(Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability (Asset)
<b>Balance at December 31, 2021</b>	\$ 2,450,721	\$ 2,595,368	\$ (144,647)
Changes for the year:			
Service cost	36,773	-	36,773
Interest on total pension liability	173,756	-	173,756
Differences between expected and actual experience	(145,149)	-	(145,149)
Changes of assumptions	-	-	-
Contributions - employer	-	22,498	(22,498)
Contributions - employee	-	19,875	(19,875)
Net investment income	-	(269,413)	269,413
Benefit payments, including refunds	(144,933)	(144,933)	-
Administrative expenses	-	(4,733)	4,733
<b>Net changes</b>	<b>(79,553)</b>	<b>(376,706)</b>	<b>297,153</b>
<b>Balance at December 31, 2022</b>	<b>\$ 2,371,168</b>	<b>\$ 2,218,662</b>	<b>\$ 152,506</b>

**SHIAWASSEE DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – DEFINED BENEFIT PENSION PLAN (continued)**

**10. Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability (asset) of the Library, calculated using the discount rate of 7.25% as well as what the Library’s net pension liability would be using a discount rate that is 1 percentage point lower (6.25%), or 1 percentage point higher (8.25%), than the current rate.

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Library's net pension liability (asset)	\$ 247,794	\$ -	\$ (210,010)

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

**11. Pension Expense and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

For the year ended November 30, 2023, the Library recognized pension expense of \$65,562 and reported deferred outflows and inflows of resources related to pensions from the following sources:

<b>Source</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Amount to Amortize</b>
Net differences between projected and actual earnings on pension plan investments	\$ 207,134	\$ -	\$ 207,134
Difference between expected and actual experience	-	139,939	(139,939)
Changes in assumptions	59,368	-	59,368
	266,502	139,939	126,563
Employer contributions to the plan subsequent to the measurement date*	22,591	-	22,591
	\$ 289,093	\$ 139,939	\$ 149,154

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension asset for the year ending November 30, 2024.



**SHIAWASSEE DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – DEFINED BENEFIT PENSION PLAN (continued)**

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

<b>Fiscal Year Ended November 30,</b>	<b>Amount</b>
2024	\$ 8,526
2025	3,474
2026	23,825
2027	90,738
	<u>\$ 126,563</u>

**NOTE 6 – RISK MANAGEMENT**

The Library is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for employee medical benefits. The Library participates in the Michigan Municipal Risk Management Authority (the "Authority") for property loss, torts, and errors and omissions claims. The Library participates in the Michigan Municipal League program for workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Authority's State Pool program operates as common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of their deductible amounts.

**NOTE 7 – SUBSEQUENT EVENTS**

The Library has evaluated subsequent events through April 22, 2024, the date the financial statements were available to be reviewed. The Library is not aware of any subsequent events that would have a significant impact on the financial condition of the Library.

**SHIAWASSEE DISTRICT LIBRARY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED NOVEMBER 30, 2023**

	Original Budget	Final Budget	Actual 2023	Variance positive (negative)
<b>REVENUES:</b>				
Property taxes	\$ 758,000	\$ 879,988	\$ 879,988	\$ -
Penal fines	35,000	35,810	35,754	(56)
Grants	13,000	13,000	14,600	
State aid	27,000	27,758	27,758	-
Fines and fees	4,000	19,500	20,451	951
Investment earnings (loss)	500	6,945	11,019	4,074
Donation income	2,000	8,302	8,302	-
Reimbursements and other income	2,000	13,113	12,560	(553)
<b>TOTAL REVENUE</b>	841,500	1,004,416	1,010,432	6,016
<b>EXPENDITURES:</b>				
Salaries and wages	536,800	512,780	514,163	(1,383)
Payroll taxes	41,000	49,000	48,803	197
Employee benefits	66,400	65,225	47,037	18,188
Pension	25,000	26,400	24,348	2,052
Supplies	19,500	13,790	13,997	(207)
Insurance	9,000	8,424	8,424	-
Professional services	37,500	40,900	41,183	(283)
Membership and dues	17,000	16,679	16,679	-
Education and training	1,000	2,030	2,030	-
Utilities	30,625	27,326	29,390	(2,064)
Maintenance and repairs	46,000	40,618	41,671	(1,053)
Library materials	112,000	110,000	104,130	5,870
Library programs	6,500	5,900	5,978	(78)
Marketing and web hosting	7,000	6,020	6,081	(61)
Postage	1,300	742	750	(8)
Other operating expenses	17,000	14,775	15,278	(503)
Rent	6,175	6,175	6,175	-
Miscellaneous	500	24	23	1
Capital outlay	260,700	87,000	106,791	(19,791)
<b>TOTAL EXPENDITURES</b>	1,241,000	1,033,808	1,032,931	877
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(399,500)</u>	<u>(29,392)</u>	<u>(22,499)</u>	<u>6,893</u>
FUND BALANCE, December 1, 2022			798,981	
FUNDS TRANSFER IN/(OUT)	157,000	(98,000)	<u>(95,000)</u>	
FUND BALANCE, November 30, 2023			<u>\$ 681,482</u>	

**SHIAWASSE DISTRICT LIBRARY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
HELEN THOME TRUST SPECIAL REVENUE FUND  
YEAR ENDED NOVEMBER 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual 2023</u>	<u>Variance positive (negative)</u>
<b>REVENUES:</b>				
Investment earnings (loss)	\$ -	\$ -	\$ 17,463	\$ 17,463.00
<b>OTHER FINANCING USES:</b>				
Transfers in/(out)	<u>98,000</u>	<u>98,000</u>	<u>95,000</u>	<u>3,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>98,000</u>	<u>98,000</u>	<u>112,463</u>	<u>3,000</u>
FUND BALANCE, December 1, 2022			<u>622,226</u>	
<b>FUND BALANCE, November 30, 2023</b>			<u><u>\$ 734,689</u></u>	

**SHIAWASSEE DISTRICT LIBRARY  
REQUIRED SUPPLEMENTARY INFORMATION  
MERS AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total Pension Liability</b>									
Service cost	\$ 36,773	\$ 29,068	\$ 29,458	\$ 37,864	\$ 35,503	\$ 35,200	\$ 34,236	\$ 33,141	\$ 32,146
Interest on total pension liability	173,756	173,953	161,837	161,476	154,570	152,068	146,343	134,843	125,785
Differences between expected and actual experience	(145,149)	(48,834)	(59,196)	(54,900)	(26,579)	(97,594)	(60,853)	(17,668)	-
Changes of assumptions	-	80,211	130,523	59,875	-	-	-	92,610	-
Benefit payments, including refunds	(144,933)	(116,003)	(89,993)	(88,266)	(68,454)	(48,641)	(48,641)	(48,641)	(48,641)
<b>Net Change in Pension Liability</b>	(79,553)	118,395	172,629	116,049	95,040	41,033	71,085	194,285	109,290
Total Pension Liability - Beginning	2,450,721	2,332,326	2,159,697	2,043,648	1,948,608	1,907,575	1,836,490	1,642,205	1,532,915
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 2,371,168</u>	<u>\$ 2,450,721</u>	<u>\$ 2,332,326</u>	<u>\$ 2,159,697</u>	<u>\$ 2,043,648</u>	<u>\$ 1,948,608</u>	<u>\$ 1,907,575</u>	<u>\$ 1,836,490</u>	<u>\$ 1,642,205</u>
					ok				
<b>Plan Fiduciary Net Position</b>									
Contributions - employer	\$ 22,498	\$ 11,273	\$ 18,086	\$ 18,219	\$ 18,467	\$ 7,601	\$ 6,000	\$ -	\$ 24,011
Contributions - employee	19,875	23,167	23,761	24,350	23,185	22,859	22,218	21,618	20,832
Net investment income (loss)	(269,413)	328,641	270,387	260,493	(80,305)	241,160	188,499	(25,715)	102,361
Benefit payments, including refunds	(144,933)	(116,003)	(89,993)	(88,266)	(68,454)	(48,641)	(48,641)	(48,641)	(48,641)
Administrative expenses	(4,733)	(3,772)	(4,283)	(4,487)	(3,961)	(3,815)	(3,720)	(3,749)	(3,773)
<b>Net Change in Plan Fiduciary Net Position</b>	(376,706)	243,306	217,958	210,309	(111,068)	219,164	164,356	(56,487)	94,790
Plan Fiduciary Net Position - Beginning	2,595,368	2,352,062	2,134,104	1,923,795	2,034,863	1,815,699	1,651,343	1,707,830	1,613,040
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 2,218,662</u>	<u>\$ 2,595,368</u>	<u>\$ 2,352,062</u>	<u>\$ 2,134,104</u>	<u>\$ 1,923,795</u>	<u>\$ 2,034,863</u>	<u>\$ 1,815,699</u>	<u>\$ 1,651,343</u>	<u>\$ 1,707,830</u>
<b>Net Pension Liability (Asset) - Ending (a) - (b)</b>	\$ 152,506	\$ (144,647)	\$ (19,736)	\$ 25,593	\$ 119,853	\$ (86,255)	\$ 91,876	\$ 185,147	\$ (65,625)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	93.57%	105.90%	100.85%	98.81%	94.14%	104.43%	95.18%	89.92%	104.00%
Covered Payroll	\$ 333,745	\$ 306,812	\$ 313,721	\$ 405,815	\$ 383,799	\$ 383,444	\$ 372,530	\$ 360,300	\$ 351,702
Net Pension Liability as a Percentage of Covered Payroll	45.70%	-47.15%	-6.29%	6.31%	31.23%	-22.49%	24.66%	51.39%	-18.66%

**SHIAWASSEE DISTRICT LIBRARY  
REQUIRED SUPPLEMENTARY INFORMATION  
MERS AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN  
SCHEDULE OF CONTRIBUTIONS**

<b>Year Ended November 30,</b>	<b>Actuarially Determined Contribution</b>	<b>Contributions in Relation to the Actuarially Determined Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as Percentage of Covered Payroll</b>
2015	\$ -	\$ 24,011	\$ (24,011)	\$ 302,587	7.94%
2016	-	-	-	314,990	0.00%
2017	-	6,000	(6,000)	380,186	1.58%
2018	7,680	7,601	79	394,052	1.93%
2019	8,628	18,467	(9,839)	391,605	4.72%
2020	5,978	18,219	(12,241)	401,414	4.54%
2021	10,039	18,086	(8,047)	376,741	4.80%
2022	11,273	21,815	(10,542)	341,328	6.39%
2023	22,498	24,348	(1,850)	333,745	7.30%

**SHIAWASSEE DISTRICT LIBRARY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
NOVEMBER 30, 2023**

**Notes to Schedule of Changes in the Library's Net Pension Liability (Asset) and Related Ratios**

This schedule is being built prospectively upon implementation of GASB 68. Ultimately, 10 years of data will be presented.

*Changes in assumptions:*

- In 2016, amounts reported as changes in assumptions resulted in primarily from adjustments to the mortality table to reflect longer lifetimes, decreases in the assumed rate of return and changes in asset smoothing.
- In 2020, amounts reported as changes of assumptions resulted primarily from a decrease in the assumed rate of return from 7.75% to 7.35%, and a decrease in the assumed rate of wage inflation from 3.75% to 3.00%.
- In 2021, the experience study recommended updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates.
- In 2022, amounts reported as changes of assumptions resulted from a decrease in the assumed rate of return from 7.35% to 7.00%.

**Notes to Schedule of Contributions**

This schedule is being built prospectively upon implementation of GASB 68. Ultimately, 10 years of data will be presented.

Valuation Date: Actuarially determined contribution rates are calculated as of the December 31 that is 23 months prior to the beginning of the fiscal year being reported.

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method:	Entry-age normal
Amortization method:	Level percent of payroll, closed
Remaining amortization period:	15 years, depending on division
Asset valuation method inflation:	2.50%
Salary increases:	7.35%, net of investment and administrative expense
Retirement age:	Age 60
Mortality:	50% Female/50% Male blend of the RP-2014 Health Annuitant Mortality Tables with rates multiplied by 105%, the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables

**SHIAWASSEE DISTRICT LIBRARY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
NOVEMBER 30, 2023**

**NOTE 1: EXCESS EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, that a local governmental unit not incur expenditures in excess of the amount appropriated.

During the year ended November 30, 2023, the Library incurred expenditures in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund:			
Salaries and wages	\$ 512,780	\$ 514,163	\$ (1,383)
Supplies	13,790	13,997	(207)
Professional services	40,900	41,183	(283)
Utilities	27,326	29,390	(2,064)
Maintenance and repairs	40,618	41,671	(1,053)
Library programs	5,900	5,978	(78)
Marketing and web hosting	6,020	6,081	(61)
Postage	742	750	(8)
Other operating expenses	14,775	15,278	(503)
Capital outlay	87,000	106,791	(19,791)