

**Ogemaw District Library
Ogemaw County, Michigan**

**Financial Report
With Supplemental Information
September 30, 2023**

Ogemaw District Library

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INDEPENDENT AUDITORS' REPORT

Library Board
Ogemaw District Library
Rose City, Michigan

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Library, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

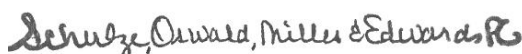
In performing an audit in accordance with generally accepted auditing standards, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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.



Schulze, Oswald, Miller & Edwards PC
Alpena and Rose City, Michigan
March 25, 2024

Management's Discussion and Analysis

As management of Ogemaw District Library (the "Library"), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended September 30, 2023.

Financial Highlights

- The assets of the Library exceeded its liabilities at the close of the most recent fiscal year by \$903,948 (*net position*). Of this amount, \$427,389 (*unrestricted net position*) may be used to meet the Library's ongoing obligations.
- The Library's total net position decreased by \$20,961.
- As of the close of the current fiscal year, the Library's General Fund, the only governmental fund, reported an ending fund balance of \$439,301, an increase of \$15,659 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$434,372 or 166% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the 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. The *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 and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The *statement of activities* presents information showing how the Library's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements present functions of the Library that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Library consist of culture-related activities. The Library does not have any business-type activities as of and for the year ended September 30, 2023.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The 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 can be divided into one category: governmental funds.

Governmental funds. *Governmental 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 Library's near-term financing requirements.

Because the focus of governmental 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 governmental 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 one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund.

The Library adopts an annual appropriated budget for its General Fund. Budgetary comparison statements or schedules have been provided for the General Fund herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 11-12 of this report.

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. The notes to the financial statements can be found on pages 14-20 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Library, assets exceeded its liabilities by \$903,948 at the close of the most recent fiscal year.

A portion of the Library's net position (\$471,630 representing 52%) reflects its investment in capital assets (e.g., land, buildings, books and audio-visual materials, and equipment). The Library uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

Library's Net Position

	Governmental Activities	Governmental Activities
	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Current and Other Assets	\$ 449,131	\$ 435,030
Capital Assets, Net	487,630	528,731
Total Assets	<u>\$ 936,761</u>	<u>\$ 963,761</u>
Current Liabilities	\$ 9,865	\$ 14,451
Total Current Liabilities	<u>9,865</u>	<u>14,451</u>
Long-term Liabilities		
Installment purchases	16,000	17,000
Compensated Absences	6,949	7,401
Total Long-term Liabilities	<u>22,949</u>	<u>24,401</u>
Net Position:		
Invested in Capital Assets	471,630	508,731
Restricted for Building	4,929	4,924
Unrestricted	<u>427,389</u>	<u>411,254</u>
Total Net Position	\$ <u>903,948</u>	\$ <u>924,909</u>

The Library's net position decreased by \$20,961 during the current fiscal year. Unrestricted net position—the part of net position that can be used to finance day to day operations, increased by \$16,135 or 4% during the fiscal year ending September 30, 2023.

Library's Changes in Net Position

	Governmental Activities	Governmental Activities
	<u>9/30/23</u>	<u>9/30/22</u>
Revenue:		
Program revenue:		
Charges for services	\$ 6,278	\$ 5,175
Operating grants and contributions	2,267	-
Capital Grants	99	24,175
General revenue:		
Property taxes	145,325	140,906
State grants	11,811	19,440
Local governments	30,000	-
Penal Fines	70,382	80,222
Interest earnings	3,794	246
Other	6,280	6,020
Total Revenue	\$ 276,236	\$ 276,184
Expenses:		
Culture	\$ 296,612	\$ 298,023
Debt Service - interest	585	740
Total Expenses	\$ 297,197	\$ 298,763
Increase in Net Position	(20,961)	(22,579)
Net Position, Beginning of Year	924,909	947,488
Net Position, End of Year	\$ 903,948	\$ 924,909

Governmental activities. The Library's total governmental revenues increased by \$52 compared to the prior fiscal year. Penal fine revenues decreased by \$9,840 and property tax revenues increased by \$4,419 compared to the preceding fiscal year. Total expenses decreased by \$1,566 compared to the preceding fiscal year.

Financial Analysis of the Government's Funds

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

As of the end of the current fiscal year, the Library's governmental fund reported an ending fund balance of \$439,301, an increase in fund balance of \$15,659. The *unassigned fund balance*, which is available for spending at the Library's discretion, is \$434,372. The amount restricted for the Skidway Lake building is \$4,929.

Financial Analysis of the Government's Funds (Continued)

The only governmental fund is the General Fund of the Library. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance (\$434,372) and total fund balance (\$439,372) represent 167% and 168%, respectively of total General Fund expenditures.

The fund balance in the General Fund increased by \$15,659 during the current fiscal year.

General Fund Budgetary Highlights

The Library's budgets are prepared in accordance with Michigan Law. The only budgeted fund is the General Fund. The General Fund budget was amended in a legally permissible manner during the fiscal year. The library incurred no expenditures over appropriations.

Capital Asset Administration

Capital assets. The Library's investment in capital assets for its governmental activities as of September 30, 2023, amounted to \$487,630 (net of accumulated depreciation). Investment in capital assets includes land, buildings, furniture and fixtures, equipment, and books and audio-visual materials. Additions totaled \$23,965 for the fiscal year, including books, audio-visual materials, etc.

Library's Capital Assets (net of depreciation)

	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Land	\$ 10,200	\$ 10,200
Buildings	235,842	243,186
Furniture and Fixtures	23	52
Machinery and Equipment	13,762	17,914
Books, Audio-Visual materials, etc.	<u>227,803</u>	<u>257,379</u>
Total	\$ <u>487,630</u>	\$ <u>528,731</u>

Additional information on the Library's capital assets can be found in note 4 on page 18 of this report.

Factors Bearing on the Library's Future

The following factors were considered in preparing the Library's budget for the 2023-2024 fiscal year:

- The penal fine money received by the Library varies from year to year. The amounts of penal fine revenues for future periods are uncertain and will affect the Library's future budgets. Over the past few years the penal fines have been decreasing. The Library's millage of .4936 mills provided \$145,325 in property tax revenue compared to \$140,906 in the 2022-23 fiscal year. Our budgets were prepared with these factors in mind and will be revised as needed.

Requests for Information

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Ogemaw District Library
Librarian's Office
107 W. Main Street
Rose City, Michigan 48654

Ogemaw District Library
Statement of Net Position
September 30, 2023

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents (Note 3)	\$ 449,131
Accounts receivable	-
Capital assets-net (Note 4)	<u>487,630</u>
Total assets	<u>936,761</u>
 Current Liabilities	
Accounts payable	3,981
Accrued and other liabilities	5,884
Installment purchase, due within one year (Note 6)	<u>4,000</u>
Total current liabilities	<u>13,865</u>
 Noncurrent Liabilities	
Installment purchase (Note 6)	12,000
Compensated absences	<u>6,949</u>
Total noncurrent liabilities	<u>18,949</u>
Total liabilities	<u>32,814</u>
 Net Position	
Invested in capital assets	471,630
Restricted for building	4,929
Unrestricted	<u>427,389</u>
Total Net Position	<u>\$ 903,948</u>

See accompanying notes which are an integral part of the financial statements.

Ogemaw District Library
Statement of Activities
Year Ended September 30, 2023

	Program Revenues				Governmental Activities
Functions/Programs	Expenses	Charges for Services	Operating Grants	Capital Grants	Net (Expense) Revenue and Changes in Net Position
Governmental Activities					
Culture	\$ 296,612	\$ 6,278	\$ 2,267	\$ 99	\$ (287,968)
Interest	585	-	-	-	(585)
Total governmental activities	\$ 297,197	\$ 6,278	\$ 2,267	\$ 99	\$ (288,553)
General Revenues:					
Property taxes					145,325
State grants					11,811
Local government					30,000
Penal fines					70,382
Interest and investment earnings					3,794
Other					6,280
Total general revenues					267,592
Change in Net Position					(20,961)
Net Position - Beginning of Year					924,909
Net Position - End of Year					\$ 903,948

See accompanying notes which are an integral part of the financial statements.

Ogemaw District Library
 Governmental Funds
 Balance Sheet
 September 30, 2023

	<u>General Fund</u>
Assets	
Cash and investments	\$ 449,131
Accounts receivable	-
Total assets	<u>\$ 449,131</u>
 Liabilities	
Accounts payable	\$ 3,981
Accrued and other liabilities	5,849
Total liabilities	<u>9,830</u>
 Fund balances	
Restricted for Skidway Lake building	4,929
Unassigned	434,372
Total fund balances	<u>439,301</u>
Total liabilities and fund balances	<u>\$ 449,131</u>
 Fund Balances - Total Governmental Funds	
	\$ 439,301
 Amounts reported for governmental activities in the statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources, and are not reported in the funds	
The cost of capital assets is	\$ 1,233,514
Accumulated depreciation is	<u>(745,884)</u>
	487,630
 Long term liabilities are not due and payable in the current period and are not reported in the fund statements	
Compensated absences	(6,949)
Installment purchase payable	(16,000)
 Accrued interest is not included as a liability in governmental funds	
	(34)
 Net Position of Governmental Activities	
	<u>\$ 903,948</u>

See accompanying notes which are an integral part of the financial statements.

Ogemaw District Library
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Year Ended September 30, 2023

	<u>General Fund</u>
Revenues	
Property taxes	\$ 145,325
State grants	11,811
Local governments	30,000
Charges for services	6,278
Penal fines	70,382
Interest earnings	3,794
Other	<u>8,547</u>
Total revenues	<u>276,137</u>
Expenditures	
Current:	
Culture	231,997
Debt service	4,613
Capital outlay	<u>23,868</u>
Total expenditures	<u>260,478</u>
 Net Change in Fund Balance	 15,659
 Fund Balances - Beginning of Year	 <u>423,642</u>
 Fund Balances - End of Year	 \$ <u><u>439,301</u></u>

See accompanying notes which are an integral part of the financial statements.

Ogemaw District Library
 Governmental Funds
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 Year Ended September 30, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 15,659

Amounts reported for governmental activities are different because:

Government funds report capital outlays as expenditures;
 in the statement of activities these costs are allocated
 over their estimated useful lives as depreciation.

Depreciation expense	\$	(65,067)	
Capital outlay		<u>23,866</u>	
			(41,201)

Donated assets are reported in the statement of activities as capital grants; these assets are not reported in governmental funds			99
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Decreases in compensated absences are reported as expenditures when financial resources are used in governmental funds but reported when earned in the statement of activities.			452
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Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental fund until paid			30
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Repayments of installment purchases principal is an expenditure in the governmental funds, but not in the statement of activities			4,000
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Change in Net Position of Governmental Activities			<u>\$ (20,961)</u>
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See accompanying notes which are an integral part of the financial statements.

Ogemaw District Library
Notes to Financial Statements
September 30, 2023

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Ogemaw District Library ("the Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the Library:

Reporting Entity

The Ogemaw District Library is governed by an appointed seven member board of trustees. The trustees are appointed from each of the following units of government in the District that have levied an operating millage for the Library; Cumming Township, Goodar Township, Hill Township, Klacking Township, Rose Township and the City of Rose City. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Library's reporting entity, and which organizations are legally separate, component units of the Library. Based on the application criteria, the Library does not contain any component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information about the Library as a whole. Governmental activities are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue 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.

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

Ogemaw District Library
Notes to Financial Statements
September 30, 2023

Note 1 - Summary of Significant Accounting Policies (Continued)

The General Fund is the Library's operating fund. It accounts for all financial resources of the Library. The General Fund is the Library's only fund.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions. General revenue includes all property taxes and penal fine revenues.

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

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Property Taxes - The taxpayers of the Library have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2022 taxable value of the Library was \$292,310,773. The 2022 tax levy was .4936 mills raising \$145,325 for general operating purposes.

Capital Assets - Capital assets, which include land, buildings, equipment, books and audio-visual materials are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial individual cost of more than \$500 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 the donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	50 years
Office furnishings	5-20 years
Library books, periodicals, etc.	10 years
Other equipment	5-20 years

Estimates - The presentation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affects the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Compensated Absences - It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick leave benefits are accrued as a liability when they have vested. Since unused sick leave and vacation pay are not fully vested, compensated absences are charged to expenditures when taken. The liability for compensated absences is reported as a liability in the government-wide financial statements.

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. The Library does not have any deferred outflows of resources.

Ogemaw District Library
Notes to Financial Statements
September 30, 2023

Note 1 - Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The 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 (receipts) until that time. The Library does not have any deferred inflows of resources.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Net Position - Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources.

Net investment of capital assets - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position - net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position - consists of all other net position that does not meet the definition of the above two components and is available for general use by the Library.

Fund Balance - Governmental funds report *nonspendable fund balances* 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 the resources by grantors, contributors, or laws or regulations of other governments.

Committed fund balance is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Library Board. A formal resolution of the Library Board is required to establish, modify or rescind a fund balance commitment.

The Library reports *assigned fund balance* for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned fund balance is the residual classification for the General Fund.

Note 2 - Stewardship, Compliance and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state laws for the General Fund. All annual appropriations lapse at fiscal year end.

Ogemaw District Library
Notes to Financial Statements
September 30, 2023

Note 2 - Stewardship, Compliance and Accountability (Continued)

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Library adopt its budget by October 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Libraries to amend its budget during the year. During the year the budget was amended in a legally permissible manner.

Excess of expenditure over appropriations in budgeted funds - There were no expenditure variances.

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes the Library to make deposits and investments in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Library is also allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library Board has designated two banks for the deposit of Library funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in bank accounts and CDs, but not the remainder of State statutory authority as listed above.

A reconciliation of cash and investments as shown in the financial statements to the Library's deposits and investments is as follows:

Government-wide Financial Statement Captions:	
Cash and cash equivalents	\$ 449,131
Notes to Financial Statements:	
Deposits	\$ 448,931
Cash on hand	200
Total	<u>\$ 449,131</u>

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 investing operating funds primarily in shorter term securities and limiting the average maturity in accordance with the Library's cash requirements.

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 (NRSRPs). The Library has no investments for which ratings are required.

Ogemaw District Library
Notes to Financial Statements
September 30, 2023

Note 3 - Deposits and Investments (Continued)

Custodial credit risk - deposits

In the case of deposits, there is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. State law does not require and the Library does not have a policy for deposit custodial credit risk. At September 30, 2023, \$59,369 of the Library's bank balances of \$449,195 was exposed to custodial credit risk because it was uninsured.

The Library Board is authorized to designate depositories for Library funds, and to determine that the funds are invested in accordance with State of Michigan statutory authority.

The Library's deposits are in accordance with statutory authority.

Note 4 - Capital Assets

Capital assets activity of the Library's governmental activities were as follows:

	<u>Balance</u> <u>10/1/22</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/23</u>
Capital assets not depreciated:				
Land	\$ 10,200	\$ -	\$ -	\$ 10,200
Capital assets being depreciated:				
Buildings	355,298	-	-	355,298
Furniture and fixtures	5,055	-	-	5,055
Machinery and equipment	88,335	-	-	88,335
Books, Audio-Visual materials, etc.	758,395	23,965	7,734	774,626
Subtotal	<u>1,207,083</u>	<u>23,965</u>	<u>7,734</u>	<u>1,223,314</u>
Accumulated Depreciation				
Buildings	112,112	7,344	-	119,456
Furniture and fixtures	5,003	29	-	5,032
Machinery and equipment	70,420	4,153	-	74,573
Books, Audio-Visual materials, etc.	501,016	53,541	7,734	546,823
Subtotal	<u>688,551</u>	<u>65,067</u>	<u>7,734</u>	<u>745,884</u>
Net capital assets being depreciated	<u>518,532</u>	<u>(41,102)</u>	<u>-</u>	<u>477,430</u>
Governmental Activities				
Total Capital Assets net of Depreciation	<u>\$ 528,732</u>	<u>\$ (41,102)</u>	<u>\$ 0</u>	<u>\$ 487,630</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
Culture	\$ <u>65,067</u>
Total governmental activities	\$ <u>65,067</u>

Ogemaw District Library
Notes to Financial Statements
September 30, 2023

Note 5 - Risk Management

The Ogemaw District Library is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

Note 6 - Long-term Debt

Long-term obligations include installment purchases and compensated absences. The annual payment will be made from the General Fund.

Long-term debt activity can be summarized as follows:

Governmental Activities:	<u>Beginning</u> <u>Balances</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Ending</u> <u>Balances</u>	<u>Due Within</u> <u>One Year</u>
Installment purchases:					
USDA 97-02	\$ 20,000	\$ -	\$ (4,000)	\$ 16,000	\$ 4,000
Compensated absences	7,401	-	(452)	6,949	-
Total	<u>\$ 27,401</u>	<u>\$ 0</u>	<u>\$ (4,452)</u>	<u>\$ 22,949</u>	<u>\$ 4,000</u>

Annual debt service requirements to maturity for the installment purchases are as follows:

<u>Year Ended</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	4,000	536	4,536
2025	4,000	402	4,402
2026	4,000	268	4,268
2027	4,000	134	4,134
Total	<u>\$ 16,000</u>	<u>\$ 1,340</u>	<u>\$ 17,340</u>

Installment purchase agreement:

<u>Payable to:</u>	<u>Original</u> <u>Amount</u>	<u>Purchase</u>	<u>Principal</u> <u>Due</u>
USDA Rural Development Installment purchase #02	\$ 50,000	Former VFW Building 2196 E Greenwood Road Prescott, MI 48756	\$ 16,000

Interest rate - 3.375% per annum
Semi-annual interest payments starting February 1, 2013

Annual principal payments:	August 1, 2013-2022	\$3,000
	August 1, 2023-2027	\$4,000

Ogemaw District Library
Notes to Financial Statements
September 30, 2023

Note 6 - Long-term Debt (Continued)

The Library borrowed \$50,000 (Installment purchase #02) on August 31, 2012 and purchased the former VFW Hall located at 2196 E. Greenwood Road for \$60,000. The building was remodeled with a loan of \$50,000 and a grant of \$150,000 from USDA Rural Development.

Loans:

Installment purchase #02	<u>50,000</u>
	<u>50,000</u>
USDA grant	\$ 150,000

Note 7 - Subsequent Events

Subsequent events have been evaluated through March 25, 2024, which is the date the financial statements were available to be issued. Management has determined the Library does not have any material recognizable or nonrecognizable events.

Required Supplemental Information

Ogemaw District Library
 Budgetary Comparison Schedule - General Fund
 September 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues				
Property taxes	\$ 140,905	\$ 145,325	\$ 145,325	\$ -
State grants	10,876	11,811	11,811	-
Local government	-	30,000	30,000	-
Charges for services	5,785	8,801	6,278	(2,523)
Penal fines	80,222	70,382	70,382	-
Interest earnings	130	3,500	3,794	294
Other	5,255	8,095	8,547	452
Total revenues	<u>243,173</u>	<u>277,914</u>	<u>276,137</u>	<u>(1,777)</u>
Expenditures				
Current:				
Culture	218,831	232,748	231,997	751
Debt service:				
Principal	3,000	4,000	4,000	-
Interest	300	613	613	-
Capital outlay	<u>35,000</u>	<u>27,000</u>	<u>23,868</u>	<u>3,132</u>
Total expenditures	<u>257,131</u>	<u>264,361</u>	<u>260,478</u>	<u>3,883</u>
Excess of Revenues Over (Under) Expenditures	(13,958)	13,553	15,659	2,106
Fund Balances - Beginning of Year	<u>423,642</u>	<u>423,642</u>	<u>423,642</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 409,684</u>	<u>\$ 437,195</u>	<u>\$ 439,301</u>	<u>\$ 2,106</u>

Other Supplemental Information

Ogemaw District Library
Detailed Statement of Revenues
Year Ended September 30, 2023

Revenues

Tax levy	\$ 145,325
State grants	11,811
Local governments	30,000
Charges for services:	
Fax machine	1,716
Copy machine	2,644
Fees, book sales, book fines	1,850
Books for patrons	68
Total charges for services	<u>6,278</u>
Penal fines	70,382
Interest earnings	3,794
Miscellaneous:	
Grants	2,267
Donations	5,934
Memorials	90
Miscellaneous	256
Total miscellaneous	<u>8,547</u>
 Total revenues	 <u><u>\$ 276,137</u></u>

Ogemaw District Library
Detailed Statement of Expenditures
Year Ended September 30, 2023

Expenditures

Current:

Wages	\$ 150,464
Payroll taxes	11,471
Library supplies	7,616
Maintenance supplies	341
Postage	235
Periodicals - newspapers	829
Reading program	1,192
Fees	1,516
Contractual services	6,285
Memberships	7,358
Workshops	4,762
Insurance	10,286
Utilities	22,787
Repairs and maintenance	6,075
Copy machine	432
Miscellaneous	348
Total current	231,997

Debt service:

Principal	4,000
Interest	613
Total debt service	4,613

Capital outlay:

Equipment	
Books and audio-visual	23,868

Total capital outlay	23,868
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Total expenditures	\$ 260,478
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Schulze Oswald Miller & Edwards PC

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Rose City 989-685-2411 • Fax 989-685-2412

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AT THE CONCLUSION OF THE AUDIT

March 25, 2024

To the Board of Trustees
Ogemaw District Library
Rose City, Michigan 48654

We have audited the financial statements of the governmental activities and each major fund of Ogemaw District Library for the year ended September 30, 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 March 19, 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 Ogemaw District Library are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended September 30, 2023. We noted no transactions entered into by Ogemaw District 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 estimate affecting Ogemaw District Library's financial statements was:

Management's estimate of depreciation expense is based on estimated useful lives of the fixed assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are:

The disclosure of depreciation expense and accumulated depreciation in Note 1 & 4 to the financial statements is particularly sensitive because the net book value of the capital assets may not represent fair market value.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by

management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

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 March 25, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit'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 Ogemaw District 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 Comments

We recommend the Library consider increasing their capitalization policy threshold to either \$1,500 or \$2,500. The current threshold is too low to effectively reduce the administrative burden of complying with the capitalization requirements.

Other Matters

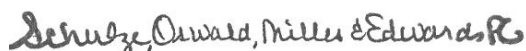
We applied certain limited procedures to the Management's Discussion and Analysis and Budgetary Comparison Schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing 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 Detailed Statement of Revenues and the Detailed Statement of Expenditures, which accompany the financial statements but are 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.

Restriction on Use

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

Very truly yours,



Schulze, Oswald, Miller & Edwards PC
Certified Public Accountants
Alpena and Rose City, Michigan



**COMMUNICATION OF SIGNIFICANT DEFICIENCIES
AND MATERIAL WEAKNESSES**

March 25, 2024

Library Board
Ogemaw District Library
Rose City, Michigan

In planning and performing our audit of the financial statements of the governmental activities and each major fund of the Ogemaw District Library as of and for the year ended September 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Ogemaw District Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Ogemaw District Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ogemaw District 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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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 the Ogemaw District Library's internal control to be a significant deficiency.

Lack of adequate controls to produce full-disclosure GAAP basis financial statements.

Requirement: All Michigan governmental units are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Library's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording,

processing, and summarizing accounting data, and (2) reporting government-wide and fund financial statements, including the related footnotes.

Condition: The Library, as is common with smaller and medium-sized entities, has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Library's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal controls.

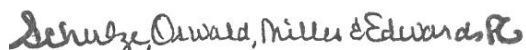
Cause: This condition was caused by the Library's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Library to perform this task internally.

Effect: The result of this condition is that the Library lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of responsible officials: The Library has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Library to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

This significant deficiency is a repeat comment from our letter to you dated March 25, 2024.

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



Schulze, Oswald, Miller & Edwards PC
Certified Public Accountants
Alpena and Rose City, Michigan