

**BRANCH DISTRICT LIBRARY  
BRANCH COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2023**

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## **INDEPENDENT AUDITOR'S REPORT**

**To the Members of the Branch  
District Library Board  
Coldwater, Michigan**

**January 24, 2024**

### **Opinions**

We have audited the accompanying financial statements of the government activities, and each major fund of the Branch District Library, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Branch District Library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Branch District Library as of December 31, 2023, and the results of its operations 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 Statement section of our report. We are required to be independent of Branch District Library and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and the 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 Branch District Library's ability to continue as a going concern for twelve months beyond the financial statement due 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 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 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 Branch District Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Branch District Library's ability to continue as a going concern for a reasonable period of time.

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

**To the Members of the Branch  
District Library Board  
Coldwater, Michigan**

**January 24, 2024**

### **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.

### **Supplementary Information**

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

*Taylor, Plant & Watkins, P.C.*  
**TAYLOR, PLANT & WATKINS, P.C.**  
**COLDWATER, MICHIGAN**

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

Our discussion and analysis of the Branch District Library's financial performance provides an overview of the Branch District Library's financial activities for the fiscal year ended December 31, 2023. Please read it in conjunction with the Branch District Library's financial statements.

**Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Branch District Library as a whole and present a longer-term view of the Library's finances. This longer-term view uses the accrual basis of accounting to measure the cost of providing services.

The fund financial statements present a short-term view; they tell us how the resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Library's operations in more detail than the Government-Wide financial statements by providing information about the Library's most significant funds.

**Government-wide Financial Statements** - Government-wide financial statements provide readers with a broad overview of the finances of the Library as a whole, in a manner similar to a private sector business, distinguishing functions of the Library that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as "business-type activities"). These statements present a longer-term view using the accrual basis of accounting, which requires that revenues are reported when they are earned and expenses are reported when incurred. They measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services. The statements include a Statement of Net Position and Statement of Activities.

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. The Statement of Activities reports the current year's revenues and expenses and how the Library's net position changed during the year. Over time, increases or decreases in net position can serve as one indicator of the financial position of the Library.

**Fund Financial Statements** – The fund financial statements present more detailed information about the Library's most significant funds, not the Library as a whole. The fund financial statements present a short-term view, using a modified accrual basis of accounting, and tell us how the taxpayers' resources were spent during the year as well as how much is available for future spending. Funds are accounting tools the Library uses to keep track of specific sources of funding and spending for particular purposes.

## BRANCH DISTRICT LIBRARY

### MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

**Governmental Funds** – Governmental funds account for most, if not all, of a government's tax-supported functions. They are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

**Notes to the Financial Statements** – The notes provide supplementary 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 contains certain required supplementary information concerning budgetary comparisons of the General Fund, as well as other supplementary information.

#### The Library as a Whole

The following table shows, in condensed format, the fund balance as of the current date and compared to the prior year under the modified accrual basis:

	<b>Governmental Funds</b>	
	<b>2023</b>	<b>2022</b>
<b>Assets</b>	\$ 2,335,591	\$ 2,127,345
<b>Liabilities and deferred inflows of resources</b>	<u>90,263</u>	<u>72,599</u>
<b>Fund Balance</b>		
Nonspendable	17,269	26,984
Restricted	256,632	268,662
Committed	213,422	196,408
Assigned	370,987	235,024
Unassigned	<u>1,287,018</u>	<u>1,327,668</u>
Total fund balance	<u>\$ 2,145,328</u>	<u>\$ 2,054,746</u>

**BRANCH DISTRICT LIBRARY****MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued**

The following table shows, in condensed format, the net position as of the current date as required by GASB 34 stated under the full accrual basis compared to prior year:

	<b>Governmental Activities</b>	
	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Current and other assets	\$ 2,235,591	\$ 2,127,345
Capital assets	540,278	569,112
Total assets	2,775,869	2,696,457
<b>Liabilities</b>		
Current liabilities and deferred inflows	90,263	72,599
Long-term liabilities	15,000	22,000
Total liabilities	105,263	94,599
<b>Net Position</b>		
Investment in capital assets - net of related debt	540,278	569,112
Restricted for:		
Special revenue trust fund	322,920	317,936
Permanent trust fund	147,134	147,134
Unrestricted	1,660,274	1,567,676
Total net position	\$ 2,670,606	\$ 2,601,858



**BRANCH DISTRICT LIBRARY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS – Continued**

The following table shows the changes of the fund equity during the current year and as compared to the prior year, under the modified accrual basis:

	<b>Governmental Funds</b>	
	<b>2023</b>	<b>2022</b>
<b>Revenues</b>		
Taxes	\$ 1,915,202	\$ 1,839,157
State aid	47,118	45,666
Interest earned	47,827	16,952
Penal fines	108,639	109,425
Charges for services	15,952	14,059
Donations	32,229	27,377
Reimbursements	29,249	20,519
Other revenue	6,178	9,075
Total revenue	2,202,394	2,082,230
<b>Expenditures</b>		
Cultural	2,111,812	2,217,080
Capital outlay	-	-
Total expenditures	2,111,812	2,217,080
Change in fund equity	\$ 90,582	\$ (134,850)

## BRANCH DISTRICT LIBRARY

### MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

The following table shows, in condensed format, the changes of net position as of the current date as required by GASB 34 stated under full accrual basis:

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 15,952	\$ 14,059
Operating/grants and contributions	61,478	47,896
General revenues:		
Property taxes	1,915,202	1,839,157
State aid not restricted for specific purposes	47,118	45,666
Penal fines not restricted for specific purposes	108,639	109,425
Interest and investment earnings	47,827	16,952
Other	6,178	9,075
Total revenues	2,202,394	2,082,230
<b>Expenditures</b>		
Cultural	2,133,646	2,076,586
<b>Change in Net Position</b>	<u>\$ 68,748</u>	<u>\$ 5,644</u>

- The Library's net position increased by \$68,748 this year, compared to an increase of \$5,644 in the prior year, under full accrual accounting. Under the modified accrual basis fund equity increased by \$90,582 compared to a decrease of \$134,850 in the prior year.
- The Library's primary source of revenue is property taxes, which represented 87% percent of total revenue. Penal fines in 2023 accounted for 5% of revenue.
- Personnel cost continues to be the Library's most significant expense, representing 65% percent of total governmental fund expenses.
- Depreciation expense of \$139,571 represents approximately 7% percent of the Library's total governmental activities expenses.

## **BRANCH DISTRICT LIBRARY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued**

#### **Library Budgetary Highlights for 2023:**

- Revenue was higher than expected, thanks both to strong tax receipts and rising interest rates on savings.
- A major project we budgeted for in 2023, our bookmobile, was delayed, so funds for that project were not expensed. This project should be completed in 2024.
- The Library completed major renovation projects, like new carpet and painting at the Sherwood Branch, and repainting the interior of the Coldwater Branch. New furniture was purchased at most locations.

#### **Next Year's Funding (2024)**

- Revenues are predicated to come in somewhat higher than 2023, with property values staying strong along with no Headlee reduction to our millage. Interest rates should remain higher for much, if not all, of the year.
- Personnel cost, always the largest portion of our expenditures will increase, as the BDL Board approved an updated wage scale that will help with staff retention and help attract new staff in a tight labor market.
- As indicated above, the acquisition of the bookmobile should be completed this year, using the accumulated fund balance. Furnishing the vehicle with collections will be an ongoing process, supported by the BDL operating budget, but also through the application for grants and solicitation of donations.
- We have budgeted for further use of our fund balance on additional renovation projects around the district.
- Subtracting out the bookmobile and other one-time projects, the Library's typical operating expenditures are budgeted to be sustainable.

**BRANCH DISTRICT LIBRARY**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2023**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash	\$ 825,859
Investments	741,923
Due from other governmental units	22,921
Prepaid expenses	17,269
Restricted assets:	
Cash	396,690
Investments	230,929
Capital assets less accumulated depreciation of \$943,486	540,278
 Total assets	 2,775,869
<b>LIABILITIES</b>	
Accounts payable	16,245
Accrued expenses	73,772
Due to other governmental units	246
Long term liabilities	
Compensated absences	15,000
 Total liabilities	 105,263
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenues levied for subsequent year	-
<b>NET POSITION</b>	
Investment in capital assets - net of related debt	540,278
Restricted for:	
Special revenue trust fund	322,920
Permanent trust fund	147,134
Unrestricted	1,660,274
 Total net position	 \$ 2,670,606

See Notes to Financial Statements

**BRANCH DISTRICT LIBRARY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>Program Revenues</b>			<b>Governmental Activities</b>
<b>Functions/Programs</b>	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating / Grants and Contributions</b>	<b>Net (Expense) Revenue and Changes in Net Position</b>
Cultural	\$ 2,133,646	\$ 15,952	\$ 61,478	\$ (2,056,216)
General revenues:				
Property taxes, levied for general purposes				1,915,202
State aid not restricted for specific purposes				47,118
Penal fines not restricted for specific purposes				108,639
Interest and investment earnings				47,827
Other				6,178
Total general revenues				2,124,964
<b>Change in Net Position</b>				68,748
<b>Net Position - Beginning</b>				2,601,858
<b>Net Position - Ending</b>				\$ 2,670,606

**BRANCH DISTRICT LIBRARY**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
DECEMBER 31, 2023**

	<b>General Fund</b>	<b>Special Revenue Trust Fund</b>	<b>Permanent Trust Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash	\$ 612,437	\$ 213,422	\$ -	\$ 825,859
Investments	741,923	-	-	741,923
Due from County	22,921	-	-	22,921
Prepaid expenses	17,269	-	-	17,269
Restricted assets:				
Cash	264,867	74,823	57,000	396,690
Investments	106,120	34,675	90,134	230,929
	<u>\$ 1,765,537</u>	<u>\$ 322,920</u>	<u>\$ 147,134</u>	<u>\$ 2,235,591</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 16,245	\$ -	\$ -	\$ 16,245
Accrued expenses	73,772	-	-	73,772
Due to others	246	-	-	246
	<u>90,263</u>	<u>-</u>	<u>-</u>	<u>90,263</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>				
Property tax revenues levied subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 <b>FUND BALANCE</b>				
Nonspendable	17,269	-	-	17,269
Restricted	-	109,498	147,134	256,632
Committed	-	213,422	-	213,422
Assigned	370,987	-	-	370,987
Unassigned	1,287,018	-	-	1,287,018
	<u>1,675,274</u>	<u>322,920</u>	<u>147,134</u>	<u>2,145,328</u>
Total fund balance	<u>1,675,274</u>	<u>322,920</u>	<u>147,134</u>	<u>2,145,328</u>
Total liabilities and fund balance	<u>\$ 1,765,537</u>	<u>\$ 322,920</u>	<u>\$ 147,134</u>	<u>\$ 2,235,591</u>

See Notes to Financial Statements

**BRANCH DISTRICT LIBRARY**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF BALANCE SHEET OF**  
**GOVERNMENTAL FUNDS TO NET POSITION**  
**DECEMBER 31, 2023**

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 2,145,328</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
The cost of the capital assets	1,483,796
Accumulated depreciation	<u>(943,518)</u>
Total capital assets not reported in the funds	540,278
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Compensated absences	<u>(15,000)</u>
<b>Total Net Position - Governmental Activities</b>	<b><u><u>\$ 2,670,606</u></u></b>

**BRANCH DISTRICT LIBRARY**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>General Fund</b>	<b>Special Revenue Trust Fund</b>	<b>Permanent Trust Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$ 1,915,202	\$ -	\$ -	\$ 1,915,202
State aid	47,118	-	-	47,118
Interest earned	40,721	7,106	-	47,827
Penal fines	108,639	-	-	108,639
Charges for services	15,952	-	-	15,952
Donations	-	32,229	-	32,229
Reimbursements	29,249	-	-	29,249
Other revenue	6,178	-	-	6,178
<b>Total revenues</b>	<b>2,163,059</b>	<b>39,335</b>	<b>-</b>	<b>2,202,394</b>
<b>EXPENDITURES</b>				
Cultural	2,111,812	-	-	2,111,812
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>2,111,812</b>	<b>-</b>	<b>-</b>	<b>2,111,812</b>
Excess (deficiency) of revenues over expenditures	51,247	39,335	-	90,582
<b>OTHER SOURCES (USES)</b>				
Transfers from (to) other funds	34,351	(34,351)	-	-
Excess (deficiency) of revenues over expenditures	85,598	4,984	-	90,582
<b>FUND BALANCE - BEGINNING</b>	<b>1,589,676</b>	<b>317,936</b>	<b>147,134</b>	<b>2,054,746</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 1,675,274</b>	<b>\$ 322,920</b>	<b>\$ 147,134</b>	<b>\$ 2,145,328</b>

See Notes to Financial Statements



**BRANCH DISTRICT LIBRARY**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

<b>Net change in Fund Balance - Total Governmental Funds</b>	<b>\$ 90,582</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation expense	(139,571)
Capital outlay	110,737
Total	(28,834)
Decrease in compensated absences are reported as a decrease to expenditures	
	7,000
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 68,748</b>

**BRANCH DISTRICT LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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

The accounting policies of the Branch District Library conform to generally accepted accounting principles of the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

**REPORTING ENTITY:**

The Library was formed during 1991 under P.A. 24 and began operations as a separate entity on January 1, 1992. Previously, the Library was a component unit of the County of Branch. The Library operates under an appointed board of seven members and provides library services to the residents of Branch County. The financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service and special financing relationships.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

The government-wide financial statements, the statement of net position and the statement of activities, report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Library's government-wide activities are considered governmental activities.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Library first utilizes restricted resources to finance qualifying activities.

**BRANCH DISTRICT LIBRARY**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION:**

**Governmental-Wide Statements** – 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 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State shared revenues.

**Fund-based Statements** – Governmental 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 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 claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State shared revenues, intergovernmental grants, charges for services and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received.

**BRANCH DISTRICT LIBRARY**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**BASIS OF PRESENTATION:**

**MAJOR GOVERNMENTAL FUNDS**

**General Fund** is the general operating fund of the Library. It is used to account for all the Library's financial resources not required to be accounted for in another fund.

**Special Revenue Trust Fund** is used to account for donations received and expended for Library purposes.

**Permanent Trust Fund** is used to account for the assets held by the Library in a trustee capacity for donations. The principal portion must remain intact, but the earnings may be used to achieve the objectives of the donor.

**ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS AND NET POSITION:**

**Cash 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 cost, which approximates fair market value. Pooled investment income is generally allocated to each fund using a weighted average.

**Capital Assets** – Capital assets, which include equipment, furniture and fixtures, and books, are reported in the applicable governmental activity's column in the government-wide financial statements. Assets are recorded at historical cost or estimated historical cost if purchased. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The Library has recorded current assets deemed to have future value. The Library determined there was no future value in assets not capitalized in past years.

Equipment, furniture and fixtures, and books are depreciated using the straight-line method over the following useful lives:

Leasehold improvements	15-20 Years
Machinery and equipment	5-10 Years
Furniture and fixtures	7-10 Years
Books	3-5 Years

## BRANCH DISTRICT LIBRARY

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED DECEMBER 31, 2023

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

##### ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS AND NET POSITION - Continued:

**Deferred Outflows 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Library does not have anything that qualifies for reporting in this category.

**Deferred Inflows of Resources** – 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 and so will not be recognized as an inflow of resources (revenue) until that time, including property tax revenues received which are intended to finance the subsequent year.

**Compensated Absences** - As of December 31, 2023, the Library was liable for compensated absences of unused vacation and sick pay for approximately \$15,000. Vacation and sick pay are earned, accumulated and paid on termination based upon the personnel policies governing the various employees.

**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 of the Library is classified in three components. Net investment in capital assets – net of related debt consist of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position is further classified as expendable and nonexpendable. Expendable restricted net position has been limited for use by donors and as held in trust for specified purposes. Nonexpendable restricted net position has been restricted by donors to be maintained perpetuity. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

**Net Position Flow Assumption** - The Library will sometimes 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 fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

## BRANCH DISTRICT LIBRARY

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED DECEMBER 31, 2023

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

#### ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS AND NET POSITION - Continued:

**Fund Balance Flow Assumptions** - The Library will sometimes 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. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Fund Balance** – The Library implemented GASB statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

**Nonspendable fund balance** – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

**Restricted fund balance** – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

**Committed fund balance** – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

**Assigned fund balance** – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

**Unassigned fund balance** – amounts that are available for any purpose; positive amounts are reported only in the general fund.

## **BRANCH DISTRICT LIBRARY**

### **NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED DECEMBER 31, 2023**

#### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

##### **Fund Balance – Continued:**

The Library establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Library's Board through adoption or amendment of the budget as intended for specific purpose. The Library would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.

##### **BASIS OF BUDGETING:**

The Library adopted their annual budgets based on the modified accrual method of accounting. Expenditures were estimated by line-item basis, but approved on an activity basis. The Library included an estimated beginning fund balance within the approved budgets. The budgets can only be amended by the Board. Such amendments are reflected in the official minutes of the Board, and are not made after year end as dictated by law. Revisions were made to the budgets during the year.

In the other supplemental information, the Library has provided line-item detail for the General Fund for informational purposes only.

##### **ENCUMBRANCE ACCOUNTING:**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances at year end may be reappropriated in the next year. No reservation of fund balance equal to outstanding encumbrances at year end is required.

##### **USE OF ESTIMATES:**

The Library uses estimates and assumptions in the preparation of the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenditures.

##### **SUBSEQUENT EVENTS:**

The Library evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through the auditors' opinion date.

## BRANCH DISTRICT LIBRARY

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED DECEMBER 31, 2023

#### NOTE B - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Library to deposit and invest in accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government of Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involve no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The Library has designated financial institutions for the deposit of Library funds and has authorized the investment in certificates of deposit. The accounts maintained are checking, savings and certificates of deposit and are in accordance with statutory authority. The interest rates of the checking and savings accounts are at variable daily rates. The deposit accounts and certificates of deposit are currently earning interest rates of 1.25% to 4.65%.

Investments consist of certificate of deposits with an original maturity date of greater than three months. The investments are carried at cost which approximates market value.

**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 the market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools 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 (NRSROs). The Library does not allow direct investment in commercial paper or corporate bonds.

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



## **BRANCH DISTRICT LIBRARY**

### **NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED DECEMBER 31, 2023**

#### **NOTE B - DEPOSITS AND INVESTMENTS - Continued**

**Custodial credit risk for deposits** – In the case of deposits, this is the risk that in the event of a financial institution failure, the Library’s deposits may not be recovered. As of December 31, 2023, \$1,960,324 of the Library’s bank balance of \$2,210,324 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial credit risk for investments** – For an investment, this is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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

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

#### **NOTE C – DUE FROM COUNTY**

As of December 31, 2023, the Library has amounts due from the County of Branch in the amount of \$22,921 for penal fines.

**BRANCH DISTRICT LIBRARY****NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED DECEMBER 31, 2023****NOTE D – CAPITAL ASSETS**

Capital asset activity of the Branch District Library’s governmental activities was as follows:

**GOVERNMENTAL ACTIVITIES**

	<b>Balance January 1, 2023</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance December 31, 2023</b>
<b>GROUP:</b>				
Books	\$ 545,303	\$ 98,097	\$ 88,539	\$ 554,861
Machinery and equipment	814,581	12,640	-	827,221
Leasehold improvements	101,714	-	-	101,714
Subtotal	1,461,598	110,737	88,539	1,483,796
<b>ACCUMULATED DEPRECIATION:</b>				
Books	311,300	91,787	88,539	314,548
Machinery and equipment	537,029	41,003	-	578,032
Leasehold improvements	44,157	6,781	-	50,938
Total accumulated depreciation	892,486	139,571	88,539	943,518
Net capital assets	<u>\$ 569,112</u>	<u>\$ (28,834)</u>	<u>\$ -</u>	<u>\$ 540,278</u>

Depreciation expense was charged to cultural activities of the Library in the amount of \$139,571.

## BRANCH DISTRICT LIBRARY

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED DECEMBER 31, 2023

#### NOTE E – LONG-TERM DEBT

	<u>Balance January 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2023</u>
Governmental Activities: Compensated Absences	\$ 22,000	\$ -	\$ 7,000	\$ 15,000

Interest expense for the year ended December 31, 2023 was \$0 for Government-type Activities.

#### NOTE F – RESTRICTED FUND BALANCE

The detail of the restricted fund balances presented in Governmental Funds are as follows:

Restricted:

Special Revenue Trust Fund:

E. Dallen Memorial	\$ 31
G. Barnett Memorial	13,402
A. Barnett Memorial	14,282
Union City facilities	13,582
D. Shamuluas Memorial	33,683
K. Uhle Memorial	105
Fisher Memorial	3,420
J. Morton Memorial	30,993

Total Special Revenue Trust Fund restricted fund balance 109,498

Permanent Trust Fund:

M. Semmelroth Memorial	50,000
E. Dallen Memorial	2,000
K. Uhle Memorial	5,000
G. Barnett Memorial	90,134

Total Permanent Trust Fund restricted fund balance 147,134

Total restricted fund balance \$ 256,632

## **BRANCH DISTRICT LIBRARY**

### **NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED DECEMBER 31, 2023**

#### **NOTE G – TAXES**

The Library's property taxes are levied each December 1. Taxes are collected by the local governmental units within Branch County and are remitted to County of Branch, which in turn remits them to the Library.

The 2023 tax rate was 1.1 mills.

Personal property taxes are accounted for as revenue as received, therefore, no provision for uncollectible personal property taxes has been made in these financial statements.

#### **NOTE H – LEASE AGREEMENT**

The Library leases its facilities from the City of Coldwater. The initial term of the lease is for twenty-five years, with rent in the amount of \$1 per year.

#### **NOTE I – DEFERRED COMPENSATION PLANS**

The Library offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all Library employees, permits them to defer a portion of their salary until future years. The deferred compensation is generally not available to the employees until termination, retirement, death or unforeseeable emergency.

The Library funds all amounts of compensation deferred under the plan, at the direction of the covered employee, through investments approved by the plan's committee.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are, held in trust for the exclusive benefit of the participating employees and are not assessable by the Library or its creditors.

The Library has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

The Library has established Money Purchase Plan for the Library Director, Assistant Director and Director of Public Services. The plan calls for contributions on the Director's behalf and contains no requirements for matching contributions from the participants. The Library contribution for the year ended December 31, 2023 amounted to \$7,500 and is recorded in the General Fund.

## **BRANCH DISTRICT LIBRARY**

### **NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED DECEMBER 31, 2023**

#### **NOTE J – RISK MANAGEMENT**

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries. The Library has purchased commercial insurance for the coverage of the above discussed events.

#### **NOTE K – COMMITMENTS**

The Library has committed to the acquisition of a bookmobile in the amount of \$403,773. As of December 31, 2023, the Library paid \$180,557 towards the materials cost on the equipment. The remaining balance of \$223,216 will be paid once the bookmobile is completed and delivered.

**BRANCH DISTRICT LIBRARY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
<b>REVENUES</b>			
Taxes	\$ 1,850,000	\$ 1,915,202	\$ 1,915,202
State aid	45,000	47,117	47,118
Interest earned	13,000	35,000	40,721
Penal fines	115,000	110,000	108,639
Charges for services	14,000	16,000	15,952
Reimbursements	28,000	18,000	29,249
Other revenue	10,000	9,700	6,178
Total revenues	2,075,000	2,151,019	2,163,059
<b>EXPENDITURES</b>			
Cultural	2,476,000	2,254,958	2,111,812
Excess (deficiency) of revenues over expenditures	(401,000)	(103,939)	51,247
<b>OTHER SOURCES (USES)</b>			
Transfers from (to) other funds	25,000	22,000	34,351
Excess (defincency) of revenues over expenditures	(376,000)	(81,939)	85,598
<b>FUND BALANCE - BEGINNING</b>	<u>1,535,413</u>	<u>1,562,692</u>	<u>1,589,676</u>
<b>FUND BALANCE - ENDING</b>	<u><u>\$ 1,159,413</u></u>	<u><u>\$ 1,480,753</u></u>	<u><u>\$ 1,675,274</u></u>

**BRANCH DISTRICT LIBRARY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**SPECIAL REVENUE TRUST FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
<b>REVENUES</b>			
Interest earned	\$ 1,000	\$ 1,000	\$ 7,106
Donations	25,000	25,000	32,229
Total revenues	26,000	26,000	39,335
<b>EXPENDITURES</b>			
Cultural	-	-	-
Excess of revenues over expenditures	26,000	26,000	39,335
<b>OTHER SOURCES AND (USES)</b>			
Transfers from (to) other funds	(25,000)	(22,000)	(34,351)
Excess (deficiency) of revenues over expenditures and other uses	1,000	4,000	4,984
<b>FUND BALANCE - BEGINNING</b>	321,699	317,936	317,936
<b>FUND BALANCE - ENDING</b>	<u>\$ 322,699</u>	<u>\$ 321,936</u>	<u>\$ 322,920</u>

**BRANCH DISTRICT LIBRARY**

**OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
STATEMENT OF EXPENDITURES COMPARED TO BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2023**

<b>CULTURAL</b>	<b>Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
Salaries	\$ 1,189,000	\$ 1,074,527	\$ (114,473)
Payroll taxes	90,958	82,444	(8,514)
Other benefits	13,500	11,191	(2,309)
Health insurance	254,000	206,751	(47,249)
Training and travel	17,500	11,037	(6,463)
Education reimbursement	1,000	1,416	416
Board per diem	3,000	2,828	(172)
Physical materials	120,000	121,223	1,223
Digital materials	32,000	31,929	(71)
Materials preparation	15,000	16,040	1,040
Programming	30,000	41,236	11,236
Rent	3,000	2,783	(217)
Utilities	70,000	64,412	(5,588)
Upkeep	152,000	197,409	45,409
Technology	47,000	48,114	1,114
Equipment maintenance	16,000	13,114	(2,886)
Office supplies	50,000	40,121	(9,879)
Consulting services	50,000	43,533	(6,467)
Licensing	48,000	48,315	315
Insurance	25,000	23,040	(1,960)
Memberships	27,000	27,145	145
Other expenditures	1,000	3,204	2,204
<b>Total Cultural expenditures</b>	<b>\$ 2,254,958</b>	<b>\$ 2,111,812</b>	<b>\$ (143,146)</b>