

**MARSHALL DISTRICT LIBRARY
CALHOUN COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023**



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Marshall District Library
Marshall, Michigan

Report on the Audit of the Financial Statements***Opinions***

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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, pension schedules, and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for

consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, Michigan
November 24, 2023

Management's Discussion and Analysis

Marshall District Library Management's Discussion and Analysis June 30, 2023

As management of the Marshall District Library, we offer readers of the Marshall District Library's (the "Library" or "government") financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

- The assets and deferred outflows of the Library exceeded its liabilities at the close of this fiscal year by \$1,620,218 (shown as *net position*), representing a decrease of \$92,557 from the previous fiscal year.
- During the year, the Library received \$1,147,903 in revenues and incurred \$1,240,460 in expenses, resulting in a decrease in net position of \$92,557.
- The general fund increased its fund balance by \$15,136 during the year for an ending fund balance of \$290,535.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$272,074, or approximately 24% percent of the general fund's total annual expenditures.

Overview of the Financial Statements

The Library's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The 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 a broad overview of the Library's financial position. They are presented using a method of accounting that is similar to a private sector business.

The *statement of net position* presents information on all of the Library's assets, deferred outflows/inflows, and liabilities, with the difference being reported as the net position. Over time, increases or decreases in net position can 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 result in cash flows in future fiscal periods (e.g., earned but unused vacation leave and capital asset activity).

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. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The Library uses fund accounting to ensure compliance with finance-related legal requirements.

Governmental Funds. The Library's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions 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. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide statements. These items are recorded in the government fund balance as expenditures. No depreciation is recorded on capital items. The balance sheet for governmental funds does not include any capital items or long-term debt. Governmental funds for the Library include the general, the Hughes gifts and grants, and the Hughes trust funds.

The Library adopts an annual appropriated budget for its general fund and all special revenue funds. A budgetary comparison schedule has been provided for the general fund and all major special revenue funds to demonstrate compliance with its budget.

Notes to the Financial Statements. The notes to the financial statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report further presents required supplementary information (RSI) that explains the budgetary and pension information presented in the financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of overall financial position. In the case of the Library, assets and deferred outflows exceeded liabilities by \$1,620,218 at the close of the most recent fiscal year. The table on the following page illustrates the varying results of the governmental activities that combine to capture the Library's total net position.

Marshall District Library's Net Position

	2023	2022
ASSETS		
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 445,652	\$ 419,358
Due from Other Governments	12,722	11,912
Prepays	18,461	16,531
Total Current Assets	476,835	447,801
<i>Noncurrent Assets</i>		
Capital Assets, Net	1,355,637	1,463,030
Total Assets	1,832,472	1,910,831
DEFERRED OUTFLOWS		
Pension	2,338	-
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	15,943	10,189
Payroll Liabilities	27,027	19,139
Current Portion of Compensated Absences	35,492	38,973
Total Current Liabilities	78,462	68,301
<i>Noncurrent Liabilities</i>		
Compensated Absences	14,497	15,918
Net Pension Liability	121,633	108,553
Total Liabilities	214,592	192,772
DEFERRED INFLOWS		
Pension	-	5,284
NET POSITION		
Investment in Capital Assets	1,355,637	1,463,030
Restricted	5,750	5,750
Unrestricted	258,831	243,995
Total Net Position	\$ 1,620,218	\$ 1,712,775

A large portion of the Library's net position (\$1,355,637) reflects its investment in capital assets (e.g., land, buildings and improvements, equipment and furniture, and library books), less any related outstanding debt that was used to acquire those assets. The Library uses these capital assets to provide a variety of services to its patrons. Accordingly, these assets are not available for future spending.

An additional portion of the Library's net position (\$5,750) represents resources that are subject to external restrictions on how they may be used. Restricted net position consists of \$5,750 for a nonexpendable trust. The unrestricted net position consists of \$258,831.

Capital assets decreased by \$107,393 due to depreciation expense and net disposals exceeding capital asset additions for the current year. The net pension liability increased by \$13,080 as a result of a change in actual experience combined with net investment losses.

Governmental Activities. During the current fiscal year, net position for governmental activities decreased \$92,557 from the prior fiscal year for an ending balance of \$1,620,218. The following schedule shows revenues and expenses of the Library for each of the two most recent fiscal years:

Marshall District Library's Changes in Net Position

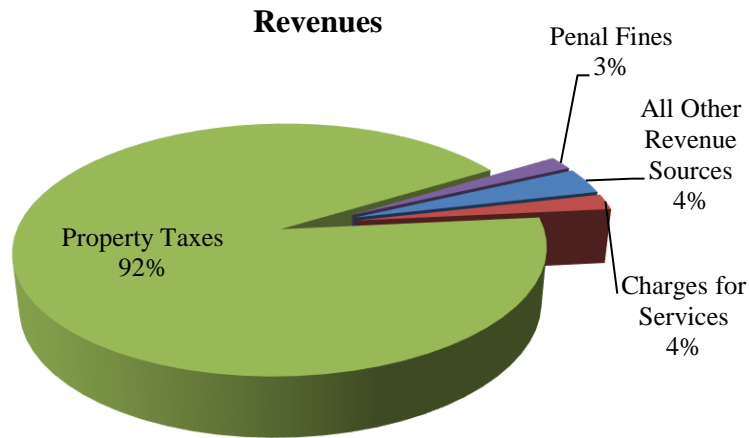
	<u>2023</u>	<u>2022</u>
Revenues		
Program Revenues		
Charges for Services	\$ 23,350	\$ 18,913
Operating Grants and Contributions	23,250	22,289
Total Program Revenues	<u>46,600</u>	<u>41,202</u>
General Revenues		
Property Taxes	1,065,480	1,004,691
Penal Fines	20,421	18,310
Intergovernmental	14,843	14,386
Investment Income	559	3,452
Total General Revenues	<u>1,101,303</u>	<u>1,040,839</u>
Total Revenues	<u>1,147,903</u>	<u>1,082,041</u>
Expenses		
Recreation and Culture	1,240,460	1,175,602
Total Expenses	1,240,460	1,175,602
Change in Net Position	(92,557)	(93,561)
Net Position at Beginning of Period	1,712,775	1,806,336
Net Position at End of Period	<u>\$ 1,620,218</u>	<u>\$ 1,712,775</u>

Operating grants and contributions increased \$961 when compared with the previous year due to an increase in private donations. The Library district's taxable values increase this year, leading to an increase in property tax revenues of \$60,789.

Overall expenses increased by \$64,8589 due largely in part to changes in the net pension liability and related pension deferrals, as well as increased costs for contracted services. Supplies, utilities, and other categories experienced less impactful typical fluctuations in expenses that tend to vary year to year.

Governmental Activities

The following chart details the revenue sources for the governmental activities of the Library for the most recent fiscal year-end:



Salaries and fringe benefit expenses were the largest expenses for the Library. The Library spent \$834,040 (net of the pension adjustments) on salaries and fringe benefits. Two other significant expenses for the Library were depreciation expense of \$145,137 and contracted services of \$96,624.

Financial Analysis of the Government's Funds

The Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

General Fund. The general fund is the main operating fund of the Library. The general fund's fund balance increased in this fiscal year by \$15,136 bringing ending fund balance to \$290,535. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 24% of total general fund expenditures. This year's change in fund balance was greater than the previous year's increase of \$3,932. The greater increase in fund balance in fiscal 2023 was aided by the increase in property tax revenues.

Hughes Gifts and Grants Fund. The Hughes gifts and grants fund accounts for revenue earned from the nonexpendable Hughes trust and its unspent earnings and allowable expenditures. In the most recent fiscal year the fund increased its fund balance by \$256 for a remaining balance of \$137,580, all of which is assigned balances for various purposes.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there were minor amendments to original budgeted revenues and appropriations.

Final budget compared to actual results. The Library had the following budget variances during the year:

<u>Fund</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Books and Materials	\$ 58,000	\$ 58,285	\$ (285)
Professional and Contracted Services	96,500	96,624	(124)

Capital Asset and Debt Administration

Capital Assets

The Library's investment in capital assets at year-end amounted to \$1,355,637 (net of accumulated depreciation). Capital assets of the Library include any items purchased that have an expected useful life of over one year and a cost of over \$500. The Library has invested in a broad range of capital assets. More information about the Library's capital assets can be found in the notes to the financial statements section of this document.

Long-term Debt

At the end of the current fiscal year, the Library had no long-term debt outstanding, except for compensated absences and its net pension liability.

Economic Factors and Next Year's Budgets and Rates

The Library plans to monitor expenditures carefully to ensure that it can continue to provide a high level of service to its patrons given the above factors which will impact revenues. The Library plans to monitor its expenditures in these areas carefully.

Contacting the Library's Management

This financial report is designed to provide the wide variety of users of this document with a general overview of the Library's finances and demonstrate the Library's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to:

The Marshall District Library
124 West Green Street
Marshall, MI 49068

Basic Financial Statements

Marshall District Library
Statement of Net Position
June 30, 2023

ASSETS

Current Assets

Cash and Cash Equivalents	\$	445,652
Due from Other Governments		12,722
Prepays		18,461
Total Current Assets		476,835

Noncurrent Assets

Capital Assets not being Depreciated		11,000
Capital Assets being Depreciated, net		1,344,637
Total Assets		1,832,472

DEFERRED OUTFLOWS OF RESOURCES

Pension Related Deferred Outflows		2,338
Total Deferred Outflows of Resources		2,338

LIABILITIES

Current Liabilities

Accounts Payable		15,943
Payroll Liabilities		27,027
Current Portion of Compensated Absences		35,492
Total Current Liabilities		78,462

Noncurrent Liabilities

Compensated Absences		14,497
Net Pension Liability		121,633
Total Liabilities		214,592

NET POSITION

Investment in Capital Assets		1,355,637
<i>Restricted for:</i>		
Nonexpendable Trust		5,750
<i>Unrestricted</i>		258,831
Total Net Position	\$	1,620,218

**Marshall District Library
Statement of Activities
For the Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Recreation and Culture	\$ 1,240,460	\$ 23,350	\$ 23,250	\$ --	\$ (1,193,860)
<i>Total</i>	\$ 1,240,460	\$ 23,350	\$ 23,250	\$ --	(1,193,860)
General Purpose Revenues					
					1,065,480
					20,421
					14,843
					559
					1,101,303
					(92,557)
					1,712,775
					\$ 1,620,218

The Notes to the Financial Statements are an integral part of these Financial Statements

**Marshall District Library
Balance Sheet
Governmental Funds
June 30, 2023**

	<u>General</u>	<u>Special Revenue</u> <u>Hughes Gifts and</u> <u>Grants</u>	<u>Permanent</u> <u>Nonmajor Hughes</u> <u>Trust</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
ASSETS				
Cash and Cash Equivalents	342,961	\$ 96,941	\$ 5,750	\$ 445,652
Due from Other Governments	12,722	--	--	12,722
Prepays	18,461	--	--	18,461
Due from Other Funds	--	40,639	--	40,639
<i>Total Assets</i>	<u>374,144</u>	<u>\$ 137,580</u>	<u>\$ 5,750</u>	<u>\$ 517,474</u>
LIABILITIES				
Accounts Payable	15,943	\$ --	\$ --	\$ 15,943
Payroll Liabilities	27,027	--	--	27,027
Due to Other Funds	40,639	--	--	40,639
<i>Total Liabilities</i>	<u>83,609</u>	<u>--</u>	<u>--</u>	<u>83,609</u>
FUND BALANCE				
Nonspendable	18,461	--	5,750	24,211
Assigned	--	137,580	--	137,580
Unassigned	272,074	--	--	272,074
<i>Total Fund Balance</i>	<u>290,535</u>	<u>137,580</u>	<u>5,750</u>	<u>433,865</u>
<i>Total Liabilities and Fund Balance</i>	<u>374,144</u>	<u>\$ 137,580</u>	<u>\$ 5,750</u>	<u>\$ 517,474</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Marshall District Library
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023

Total Fund Balance - Governmental Funds	\$	433,865
General government capital assets of \$3,537,632, net of accumulated depreciation of \$2,181,995, are not financial resources and, accordingly, are not reported in the funds.		1,355,637
The net pension liability, and pension related deferrals, are not due and payable in the current period and, therefore, are not reported in the funds.		(119,295)
Compensated absences are not due in and payable in the current period and, therefore, are not reported in the funds.		(49,989)
Total Net Position - Governmental Activities	\$	<u>1,620,218</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Marshall District Library
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2023

	<u>General</u>	<u>Special Revenue</u> Hughes Gifts and Grants	<u>Permanent</u> Nonmajor Hughes Trust	<u>Total</u> Governmental Funds
Revenues				
Property Taxes	\$ 1,065,480	\$ --	\$ --	\$ 1,065,480
Intergovernmental	14,843	--	--	14,843
Penal Fines	39,174	--	--	39,174
Interest	233	326	--	559
Other Revenue	25,822	2,025	--	27,847
Total Revenues	<u>1,145,552</u>	<u>2,351</u>	<u>--</u>	<u>1,147,903</u>
Expenditures				
Salaries and Wages	834,040	--	--	834,040
Books and Materials	58,285	--	--	58,285
Utilities and Telephone	45,640	--	--	45,640
Repairs and Maintenance	27,163	--	--	27,163
Insurance	6,456	--	--	6,456
Program Services	9,454	--	--	9,454
Professional and Contracted Services	96,624	--	--	96,624
Advertising	7,614	--	--	7,614
Miscellaneous	34,494	2,095	--	36,589
Technology	10,646	--	--	10,646
Total Expenditures	<u>1,130,416</u>	<u>2,095</u>	<u>--</u>	<u>1,132,511</u>
Excess of Revenues Over (Under) Expenditures	<u>15,136</u>	<u>256</u>	<u>--</u>	<u>15,392</u>
Net Change in Fund Balance	<u>15,136</u>	<u>256</u>	<u>--</u>	<u>15,392</u>
<i>Fund Balance at Beginning of Period</i>	275,399	137,324	5,750	418,473
Fund Balance at End of Period	<u>\$ 290,535</u>	<u>\$ 137,580</u>	<u>\$ 5,750</u>	<u>\$ 433,865</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Marshall District Library
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2023

Total Net Change in Fund Balances - Governmental Funds	\$	15,392
<p>Governmental funds report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by capital outlay and net disposals of \$37,744 are exceeded by depreciation expense of \$145,137 in the current period.</p>		
		(107,393)
<p>The change in net pension liability, and pension related deferrals, doesn't require the use of current resources and, accordingly, is not reported in the governmental funds.</p>		
		(5,458)
<p>Change in compensated absences.</p>		
		4,902
Changes in Net Position - Governmental Activities	\$	<u>(92,557)</u>

Notes to the Financial Statements

Marshall District Library

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Marshall District Library (the “Library” or “government”) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the Library’s significant accounting policies.

Reporting Entity

The Marshall District Library is a District library formed pursuant to the District Library Establishment Act (1989 Public Act 24) by an agreement between the City of Marshall and the Townships of Eckford, Fredonia, Marengo, and Marshall. The Library has a separate tax millage and governing board.

The Marshall District Library's goal is to provide materials and services, which will furnish opportunities for educational, informational, recreational, and cultural needs of the community. The financial statements of the Library have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles. The Library’s more significant accounting policies are described below.

Government-wide and Fund Financial Statements

The government-wide financial statements (e.g., the statement of position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. *Government 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. The Library only has governmental activities.

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

The statement of net position includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library’s net position is reported in three parts; 1) net investment in capital assets 2) restricted net position, and 3) unrestricted net position.

Marshall District Library

Notes to the Financial Statements

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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are 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, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

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

The Library reports the following major governmental funds:

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

The ***Hughes gifts and grants fund*** is used to account for revenues generated from the Hughes nonexpendable trust and accumulated earnings.

The Library reports the following nonmajor governmental fund:

The ***Hughes trust*** is a nonexpendable trust that accounts for the corpus of the original gift.

Marshall District Library

Notes to the Financial Statements

Financial Statement Amounts

Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of 90 days or less when acquired. Investments are stated at fair value based on quoted market price and include certificates of deposit with an original maturity of greater than 90 days from the date of purchase. Certificates of deposit are stated at cost which approximates fair value.

Prepaid Items

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

Receivables and Payables

In general, outstanding balances between funds are reported as “due to/from other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Property Tax

The participating City and Townships levy and collect property taxes for the Library. As the Library tax is collected, it is remitted by the Library and Township Treasurers. At March 1 each year, the Library and Townships settle their respective delinquent taxes with the County Treasurer and the unpaid real property tax is remitted to the Library by the County Treasurer in Calhoun County. Delinquent personal property taxes are retained by the Treasurers for subsequent collection.

Capital Assets

Capital assets are defined by the Library as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated assets are reported at acquisition value. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Marshall District Library

Notes to the Financial Statements

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	Years
Buildings and Additions	10 - 40
Equipment and Furniture	5 - 20
Library Collection	5

Long-term Liabilities

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements. The portion of these liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Compensated Absences

In accordance with the Library personnel policies, individual employees have vested rights upon termination of employment to receive payment for unused paid time off (PTO) under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested PTO earned as of the fiscal year end, including related payroll taxes, is recorded in the government-wide financial statements.

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the Library has recorded all liabilities associated with compensated absences. Accumulated vested sick amounts are considered payable from future resources and are recorded along with the related payroll taxes as a noncurrent liability in the government-wide financial statements.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, a separate financial statement element, represented an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Library only has one item that qualifies for reporting in this category (reported in the government-wide statements), the net difference between projected and actual earnings on pension plan investments.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they

Marshall District Library

Notes to the Financial Statements

are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position Flow Assumption

Sometimes the Library will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide 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 – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumption

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

Fund Balance Policies

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

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

Marshall District Library

Notes to the Financial Statements

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

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

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

The general fund is under formal budgetary control. The budget shown in the financial statements for this fund was prepared on the basis not significantly different from the modified accrual basis used to reflect actual results and consists only of those amounts contained in the formal budget approved and amended by the Board.

Budgets shown as required supplementary information to the financial statements were prepared on a basis consistent with U.S. generally accepted accounting principles and the basis used to reflect actual results.

The Library employs the following procedures in establishing the budgetary data reflected in the financial statements:

The Library does not maintain a formalized encumbrance accounting system. All annual appropriations lapse at fiscal year-end.

- a) The Library prepares the proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and resources to finance them.
- b) Prior to incurring significant expenditures, the budget is legally enacted through Library Board action.

Marshall District Library

Notes to the Financial Statements

- c) The budget is legally adopted and maintained at the functional level.
- d) Budgeted amounts are reported as originally adopted and as amended by the Library Board during the year.

In the body of the financial statements, the Library's actual expenditures and budgeted expenditures for the budgetary fund are shown on a functional basis. The approved budget for this budgetary fund was adopted at the function level.

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The Library incurred the following expenditures in excess of the amounts appropriated during the year June 30, 2023:

<u>Fund</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Books and Materials	\$ 58,000	\$ 58,285	\$ (285)
Professional and Contracted Services	96,500	96,624	(124)

Note 3 - Deposits and Investments

Deposits

Deposits consisted of the following as of June 30, 2023:

Deposits	
Checking or Savings Accounts	\$ 284,901
Certificates of Deposit (Mature Within One Year)	160,601
Cash on Hand	150
Total	<u>\$ 445,652</u>

Interest rate risk - 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 designating its investment portfolio with the objective of obtaining a rate of return through the economic cycles considering risk constraints and cash flow characteristics. Certificates of deposits all mature within 1 year.

Credit risk - State statutes authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270

Marshall District Library

Notes to the Financial Statements

days after the date of purchase; obligations of the State of Michigan or any of 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.

Custodial credit risk - deposits - In the case of deposits, which is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library will minimize its custodial credit risk by diversifying its investments by institution. As of year-end, there was no exposure to custodial credit risk because none of the Library's deposits were uninsured and / or uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Library held as cash, cash equivalents, and investments increased significantly. As a result, the amount of uninsured and uncollateralized cash, cash equivalents, and investments were substantially higher at these peak periods than at year end where all cash was covered by the FDIC or NCUA.

Note 4 - Capital Assets

A summary of the changes in capital assets is as follows:

	Balance at 6/30/2022	Additions	Disposals	Balance at 6/30/2023
Capital Assets not being Depreciated				
Land	\$ 11,000	\$ -	\$ -	\$ 11,000
Capital Assets being Depreciated				
Buildings and Additions	3,019,313	-	-	3,019,313
Equipment and Furniture	143,366	-	-	143,366
Library Collection	326,209	37,744	-	363,953
Total Capital Assets being Depreciated	3,488,888	37,744	-	3,526,632
Accumulated Depreciation				
Buildings and Additions	1,742,663	87,539	-	1,830,202
Equipment and Furniture	108,771	10,298	-	119,069
Library Collection	185,424	47,300	-	232,724
Total Accumulated Depreciation	2,036,858	145,137	-	2,181,995
Capital Assets being Depreciated, Net	1,452,030	(107,393)	-	1,344,637
Capital Assets, net	\$ 1,463,030	\$ (107,393)	\$ -	\$ 1,355,637

The entire balance of depreciation expense, \$145,137, for the year was applied to the recreation and culture function.

Marshall District Library

Notes to the Financial Statements

Note 5 - Interfund Balances

The amount of interfund receivables and payables at June 30, 2023 was as follows:

Receivable Fund	Payable Fund	Amount
Hughes Gifts and Grants	General	\$ 40,639

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

Note 6 - Compensated Absences

Following is a summary of the changes in compensated absences for the year:

	6/30/2022 Balance	Net Change	6/30/2023 Balance	Due Within One Year
Compensated Absences	\$ 54,891	\$ (4,902)	\$ 49,989	\$ 35,492

Note 7 - Defined Benefit Pension Plan

Plan Description

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

Retirement benefits for employees are calculated as follows:

Division	Benefit Multiplier	Benefit Maximum	Final Average Compensation (Years)	Normal Retirement Age	Unreduced Benefit (Age/Years of Service)	Reduced Benefit (Age/Years of Service)	Vesting (Years)
Administration - Closed	2.50%	80%	3	60	N/A	50/25 or 55/15	10

Marshall District Library

Notes to the Financial Statements

Employees Covered by Benefit Terms

At the December 31, 2022 valuation date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	1
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	<u>0</u>
<i>Total employees covered by MERS</i>	<u>1</u>

Contributions

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

The division that is closed to new employees had an annual employer contribution amount of \$30,084.

Net Pension Liability

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

Actuarial Assumptions

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

Inflation	2.50%
Salary increases	3.00% plus merit and longevity: 3% in the long-term.
Investment rate of return	7.00%, net of investment and administrative expense including inflation

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

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

Marshall District Library

Notes to the Financial Statements

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

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

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-term Expected Gross Rate of Return	Inflation Assumption	Long-term Expected Real Rate of Return
Global equity	60.00%	7.00%	4.20%	2.50%	2.70%
Global fixed income	20.00%	4.50%	0.90%	2.50%	0.40%
Private Investments	20.00%	9.50%	1.90%	2.50%	1.40%
Totals	100.00%		7.00%		4.50%

Discount Rate

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

Marshall District Library

Notes to the Financial Statements

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2021	\$ 169,880	\$ 61,327	\$ 108,553
Interest	10,689	-	10,689
Difference between expected and actual experience	27,515	-	27,515
Contributions - Employer	-	30,084	(30,084)
Net investment income (loss)	-	(4,864)	4,864
Benefit payments, including refunds	(44,893)	(44,893)	-
Administrative expenses	-	(96)	96
Net changes	(6,689)	(19,769)	13,080
Balance at December 31, 2022	\$ 163,191	\$ 41,558	\$ 121,633

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.25%) or 1% higher (8.25%) than the current rate.

	Current		
	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability of the Library	\$ 126,320	\$ 121,633	\$ 117,216

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2023 the Library recognized pension expense of \$35,542.

The Library reported deferred inflows of resources related to pensions from the following sources:

Source	Deferred Inflows of Resources
Deficit investment returns	\$ 2,338

Marshall District Library

Notes to the Financial Statements

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

Years Ending	
June 30	Amount
2023	\$ (415)
2024	120
2025	879
2026	1,754

Note 8 - Pension Plans

Beginning July 1, 2005, the Library offers a Defined Contribution Pension Plan created in accordance with Internal Revenue Code Section 401 to its employees. The plan is managed by ICMA (International City/County Management Association). For this plan, the Library contributes 5% of an employee's compensation for all eligible enrolled employees. In addition, the Library matches dollar for dollar the contributions of the individual employees up to 5%, if they choose to contribute. Any employee who works over 21 hours a week is eligible.

For the year ended June 30, 2023, the Library contributed \$54,597 to the defined contribution plan for its employees and the Library employees contributed \$27,122.

The Library offers a 457 Deferred Compensation plan through ICMA as well. Any employee who works over 21 hours a week is eligible. For this plan, the Library contributes \$40, \$60, or \$80 each month depending on the amount of time worked each week for all enrolled employees. For the year ended June 30, 2023, the Library contributed \$9,120 and the Library employees contributed \$17,705.

The Library also offers a Roth IRA plan through ICMA. Any employee who works over 21 hours a week is eligible. The Library does not contribute on behalf of the employee, but the employee can contribute to the plan. For the year ended June 30, 2023, the Library employees contributed \$3,560.

Note 9 - Risk Management

The Library is exposed to various risks of loss for liability, crime, property, employee dishonesty, and employer's liability for which the Library carries commercial insurance. The Library also participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be

Marshall District Library

Notes to the Financial Statements

subject to special assessment to make up the deficiency. The Library has not been informed of any special assessments being required.

Notes 10 - Subsequent Events

Events subsequent to the financial statement date have been evaluated through November 24, 2023, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would have a significant impact on the financial condition of the Library.

Note 11 - Dolly Parton Imagination Library and Community Foundation

The Library partnered with the Marshall Community Foundation in 2020 to start a Dolly Parton Imagination Library for the Library. The Library also has a small amount of funds held at the Community Foundation that are earmarked for the Library. As of June 30, 2023, the Dolly Parton Imagination Library had \$4,644 of funds earmarked for it and Marshall District Library had \$900 earmarked for its own use.

Required Supplementary Information

Marshall District Library
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) Final to Actual
Revenues				
Property Taxes	\$ 1,050,379	\$ 1,065,480	\$ 1,065,480	\$ --
Intergovernmental	12,000	14,000	14,843	843
Penal Fines	36,000	37,000	39,174	2,174
Interest	1,000	22	233	211
Other Revenue	23,000	26,600	25,822	(778)
Total Revenues	<u>1,122,379</u>	<u>1,143,102</u>	<u>1,145,552</u>	<u>2,450</u>
Expenditures				
Salaries and Wages	825,500	838,900	834,040	4,860
Books and Materials	50,000	58,000	58,285	(285)
Utilities and Telephone	48,000	46,100	45,640	460
Repairs and Maintenance	36,000	28,000	27,163	837
Insurance	9,500	6,456	6,456	--
Program Services	12,000	10,000	9,454	546
Professional and Contracted Services	80,000	96,500	96,624	(124)
Advertising	8,100	8,100	7,614	486
Miscellaneous	40,000	34,600	34,494	106
Technology	11,000	11,000	10,646	354
Total Expenditures	<u>1,120,100</u>	<u>1,137,656</u>	<u>1,130,416</u>	<u>7,240</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>2,279</u>	<u>5,446</u>	<u>15,136</u>	<u>9,690</u>
Net Change in Fund Balance	<u>2,279</u>	<u>5,446</u>	<u>15,136</u>	<u>9,690</u>
Fund Balance at Beginning of Period	275,399	275,399	275,399	--
Fund Balance at End of Period	<u>\$ 277,678</u>	<u>\$ 280,845</u>	<u>\$ 290,535</u>	<u>\$ 9,690</u>

Marshall District Library
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Hughes Gifts and Grants
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) Final to Actual
Revenues				
Interest	\$ 100	\$ 100	\$ 326	\$ 226
Contributions	3,500	3,500	2,025	(1,475)
<i>Total Revenues</i>	<u>3,600</u>	<u>3,600</u>	<u>2,351</u>	<u>(1,249)</u>
Expenditures				
Miscellaneous	3,500	3,500	2,095	1,405
<i>Total Expenditures</i>	<u>3,500</u>	<u>3,500</u>	<u>2,095</u>	<u>1,405</u>
<i>Excess (Deficiency) of Revenues</i>				
<i>Over Expenditures</i>	100	100	256	156
<i>Net Change in Fund Balance</i>	<u>100</u>	<u>100</u>	<u>256</u>	<u>156</u>
<i>Fund Balance at Beginning of Period</i>	137,324	137,324	137,324	--
<i>Fund Balance at End of Period</i>	<u>\$ 137,424</u>	<u>\$ 137,424</u>	<u>\$ 137,580</u>	<u>\$ 156</u>

Marshall District Library
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Nine Calendar Years (Schedule is built prospectively upon implementation of GASB 68)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Interest	\$ 10,689	\$ 11,085	\$ 13,108	\$ 13,561	\$ 15,308	\$ 11,621	\$ 19,098	\$ 19,243	\$ 19,976
Differences Between Expected & Actual Experience	27,515	25,687	21,852	20,125	13,912	75,815	(77,214)	5,171	-
Changes in Assumptions	-	1,726	(10,820)	2,565	-	-	-	10,493	-
Benefit Payments, Including Refunds	(44,893)	(44,104)	(43,318)	(42,530)	(41,743)	(40,955)	(29,730)	(29,147)	(28,564)
Other Changes	-	534	(1)	714	-	-	-	-	-
Net Change in Pension Liability	(6,689)	(5,072)	(19,179)	(5,565)	(12,523)	46,481	(87,846)	5,760	(8,588)
<i>Total Pension Liability - Beginning</i>	<i>169,880</i>	<i>174,952</i>	<i>194,131</i>	<i>199,696</i>	<i>212,219</i>	<i>165,738</i>	<i>253,584</i>	<i>247,824</i>	<i>256,412</i>
Total Pension Liability - Ending (a)	\$ 163,191	\$ 169,880	\$ 174,952	\$ 194,131	\$ 199,696	\$ 212,219	\$ 165,738	\$ 253,584	\$ 247,824
Plan Fiduciary Net Position									
Contributions - Employer	\$ 30,084	\$ 12,252	\$ 48,960	\$ 51,720	\$ 12,720	\$ 18,840	\$ 14,700	\$ 12,096	\$ 9,648
Net Investment Income (Loss)	(4,864)	9,530	9,248	7,250	(2,258)	11,055	10,434	(1,606)	7,722
Benefit Payments, Including Refunds	(44,893)	(44,104)	(43,318)	(42,530)	(41,743)	(40,955)	(29,730)	(29,147)	(28,564)
Administrative Expenses	(96)	(110)	(136)	(119)	(135)	(176)	(207)	(242)	(281)
Net Change in Plan Fiduciary Net Position	(19,769)	(22,432)	14,754	16,321	(31,416)	(11,236)	(4,803)	(18,899)	(11,475)
<i>Plan Fiduciary Net Position - Beginning</i>	<i>61,327</i>	<i>83,759</i>	<i>69,005</i>	<i>52,684</i>	<i>84,100</i>	<i>95,336</i>	<i>100,139</i>	<i>119,038</i>	<i>130,513</i>
Plan Fiduciary Net Position - Ending (b)	\$ 41,558	\$ 61,327	\$ 83,759	\$ 69,005	\$ 52,684	\$ 84,100	\$ 95,336	\$ 100,139	\$ 119,038
Net Pension Liability - Ending (a) - (b)	\$ 121,633	\$ 108,553	\$ 91,193	\$ 125,126	\$ 147,012	\$ 128,119	\$ 70,402	\$ 153,445	\$ 128,786
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	25.47%	36.10%	47.88%	35.55%	26.38%	39.63%	57.52%	39.49%	48.03%
Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

* Built prospectively upon implementation on GASB 68

**The following were significant changes to economic and demographic assumptions:

2015 valuation - The investment rate of return assumption was reduced from 8.25% to 8.0%, the wage inflation assumption was reduced from 4.50% to 3.75%, inflation rates changed from 3.0-4.0% to 3.25%, and the mortality assumption was updated to be based on the RP-2014

2019 valuation - The investment rate of return assumption was reduced from 8.00% to 7.60%, the wage inflation assumption was reduced from 3.75% to 3.00%.

2020 valuation - Mortality rates were changed to the recently issued Pub-2010 mortality general rates as published by the Society of Actuaries along with a change to sex-distinct assumptions.

2021 valuation - The investment rate of return assumption was reduced from 7.60% to 7.25%.

**Marshall District Library
Required Supplementary Information
Schedule of Contributions
Last Ten Fiscal Years**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 30,084	\$ 12,252	\$ 48,960	\$ 51,720	\$ 12,720	\$ 18,840	\$ 14,700	\$ 12,096	\$ 9,648	\$ 7,692
Contributions in Relation to the Actuarially Determined Contribution	<u>30,084</u>	<u>12,252</u>	<u>48,960</u>	<u>51,720</u>	<u>12,720</u>	<u>18,840</u>	<u>14,700</u>	<u>12,096</u>	<u>9,648</u>	<u>7,692</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes

Valuation Date

Actuarially determined contribution amounts are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of pay - open division, flat closed division
Remaining amortization period	10 years
Asset valuation method	5 years; smoothed
Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.00%, net of investment expense, including inflation
Retirement Age	60
Mortality	Pub-2010 and Fully Generational MP-2019

November 24, 2023

To the Board of Directors
Marshall District Library
Marshall, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marshall District Library, Michigan (the "Library") for the year ended June 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 August 11, 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 the Library are described in Note 1 to the financial statements. There were no new accounting policies adopted and, the application of existing policies was not changed during the fiscal year ended June 30, 2023. We noted no transactions entered into by the Library during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of vacation banks.
- The assumptions used in the actuarial valuation of the pension liability is based on historical trends and industry standards.

We evaluated key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly 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 November 24, 2023.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Library's auditors.

However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, budgetary comparison information, and the schedules for the defined benefit pension plan, 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.

Restriction on Use

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

Very truly yours,

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the printed name of the company.

Gabridge & Company, PLC
Grand Rapids, MI