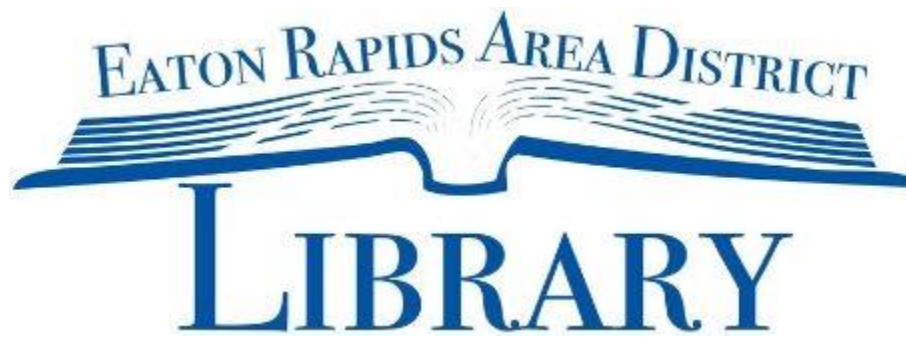




**EATON COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2024**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements	
Governmental Funds	
Balance Sheet	14
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balance	16
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance with Statement of Activities	17
Notes to the Financial Statements	19
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	27

INDEPENDENT AUDITOR'S REPORT

To the Library Board
Eaton Rapids Area District Library
Eaton Rapids, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Eaton Rapids Area District Library, Michigan (the "Library"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Library, as of June 30, 2024, 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 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.

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being particularly stylized.

Gabridge & Company, PLC
Grand Rapids, Michigan
December 23, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Eaton Rapids Area District Library
Management's Discussion and Analysis
June 30, 2024**

As management of the Eaton Rapids Area District Library (the "Library" or "government"), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

- The assets of the Library exceeded its liabilities at the close of this fiscal year by \$1,146,229 (shown as *net position*). Of this amount, \$766,039 (*unrestricted net position*), may be used to meet the government's ongoing obligations to citizens and creditors.
- During the year, the Library received \$510,848 in revenues and had \$424,203 in expenses resulting in an increase in net position of \$86,645.
- The general fund increased its fund balance by \$93,727 during the year for an ending fund balance of \$783,426.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$780,833, or 187% of the general fund's 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 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., 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. The general fund of the Library is reported as a governmental fund.

The Library adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund 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 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 exceeded liabilities by \$1,146,229 at the close of the most recent fiscal year. The following table illustrates the varying results of the governmental activities that combine to capture the Library's total net position (a comparative schedule is not available given that this was the initial year of operation):

Eaton Rapids Area District Library's Net Position

	<u>2024</u>	<u>2023</u>
ASSETS		
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 771,658	\$ 692,946
Due from Other Governments	27,343	26,409
	<u>2,593</u>	<u>-</u>
Total Current Assets	801,594	719,355
<i>Noncurrent Assets</i>		
Capital Assets not Being Depreciated	155,000	155,000
Capital Assets Being Depreciated, net	<u>225,190</u>	<u>226,744</u>
Total Assets	1,181,784	1,101,099
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	8,724	17,796
Payroll Liabilities	9,444	11,860
Compensated Absences, Current	<u>4,347</u>	<u>2,965</u>
Total Current Liabilities	22,515	32,621
<i>Noncurrent Liabilities</i>		
Compensated Absences	<u>13,040</u>	<u>8,894</u>
Total Liabilities	35,555	41,515
NET POSITION		
Investment in Capital Assets	380,190	381,744
<i>Unrestricted</i>	<u>766,039</u>	<u>677,840</u>
Total Net Position	\$ 1,146,229	\$ 1,059,584

A significant portion of the Library's net position (\$380,190, or 33%) reflects its investment in capital assets (e.g., land, buildings and improvements, equipment and furniture, and library books). The Library uses these capital assets to provide a variety of services to its patrons. Accordingly, these assets are not available for future spending.

The remaining balance of \$766,039 is unrestricted and may be used to meet the Library's ongoing obligations to its patrons and creditors.

Cash and cash equivalents increased \$78,712. This change closely follows the change in fund balance for the current year. Capital assets being depreciated decreased by \$1,554 due to depreciation expense exceeding additions for the year.

The Library's overall net position increased \$86,645 from the prior fiscal year. The reasons for this overall increase are discussed in the following section for governmental activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$86,645 from the prior fiscal year for an ending balance of \$1,146,229.

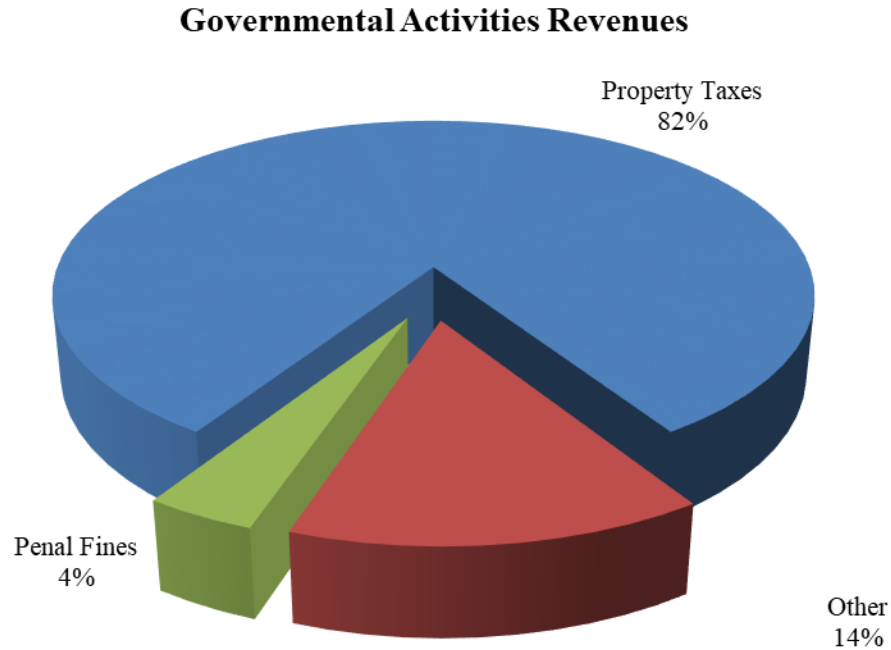
Eaton Rapids Area District Library's Changes in Net Position

	2024	2023
Program Revenues		
Charges for Services	\$ 8,385	\$ 4,915
Operating Grants and Contributions	31,876	7,957
<i>Total Program Revenues</i>	40,261	12,872
General Revenues		
Property Taxes	417,107	394,486
Intergovernmental	12,676	12,596
Penal Fines	19,880	20,067
Interest	20,924	4,735
<i>Total General Revenues</i>	470,587	431,884
Total Revenues	510,848	444,756
Expenses		
Recreation and Culture	424,203	351,839
Total Expenses	424,203	351,839
<i>Net Change in Net Position</i>	86,645	92,917
Net Position at Beginning of Period	1,059,584	966,667
<i>Net Position at End of Period</i>	\$ 1,146,229	\$ 1,059,584

Property taxes increased by \$22,621 due to an increase in taxable value of the district. Recreation and culture expenses increased \$72,364 this increase is largely due to increased repairs and maintenance expenses as well as salaries and wages.

Governmental Activities

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



Salary and wage expenses were the largest expenses for the Library. The Library spent \$213,456 on salaries and wages, or 50% of the Library's expenses. Depreciation expense of \$41,372 represented 10% of the total expenses within the Library.

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 operating fund of the Library. The general fund increased its balance in this fiscal year by \$93,727, bringing the fund balance to \$783,426. The increase in fund balance of the general fund is the result of revenues exceeding expenditures during the current year of operation. Property taxes increased by \$22,621 due to a yearly increase in taxable value. Expenditures were increased due to increased repairs and maintenance and salaries and wages.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there were no significant amendments to original budgeted revenues or appropriations.

Final budget compared to actual results. The Library had the following budget exceptions for the fiscal year:

<u>General Fund</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Fringe Benefits	\$ 23,350	\$ 26,445	\$ (3,095)
Programs	16,700	16,943	(243)
Education and Training	3,000	5,595	(2,595)

Capital Asset Administration

Capital Assets

The Library's investment in capital assets at year-end amounted to \$380,190 (net of accumulated depreciation). Capital assets of the Library include any items purchased that have an expected useful life of over three years and have an initial individual cost of \$5,000 or more. 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.

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 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:

Eaton Rapids Area District Library
220 S. Main Street
Eaton Rapids, MI 48827

Ph: (517) 663-0950

BASIC FINANCIAL STATEMENTS

Eaton Rapids Area District Library
Statement of Net Position
June 30, 2024

ASSETS

Current Assets

Cash and Investments	\$ 771,658
Due from Other Governments	27,343
Prepays	2,593
Total Current Assets	801,594

Noncurrent Assets

Capital Assets Not Being Depreciated	155,000
Capital Assets Being Depreciated, net	225,190
Total Assets	1,181,784

LIABILITIES

Current Liabilities

Accounts Payable	8,724
Payroll Liabilities	9,444
Compensated Absences, Current	4,347
Total Current Liabilities	22,515

Noncurrent Liabilities

Compensated Absences	13,040
Total Liabilities	35,555

NET POSITION

Investment in Capital Assets	380,190
Unrestricted	766,039
Total Net Position	\$ 1,146,229

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

**Eaton Rapids Area District Library
Statement of Activities
For the Year Ended June 30, 2024**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Recreation and Culture	\$ 424,203	\$ 8,385	\$ 31,876	\$ --	\$ (383,942)
Total	\$ 424,203	\$ 8,385	\$ 31,876	\$ --	\$ (383,942)

General Purpose Revenues:

Property Taxes	417,107
Intergovernmental	12,676
Penal Fines	19,880
Interest	20,924

Total General Revenues	470,587
-------------------------------	----------------

Change in Net Position	86,645
-------------------------------	---------------

<i>Net Position at Beginning of Period</i>	<i>1,059,584</i>
--	------------------

<i>Net Position at End of Period</i>	<i>\$ 1,146,229</i>
---	----------------------------

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

Eaton Rapids Area District Library
Balance Sheet
Governmental Fund
June 30, 2024

	<u>General</u>
ASSETS	
Cash and Investments	\$ 771,658
Due from Other Governments	27,343
Prepays	2,593
<i>Total Assets</i>	<u>\$ 801,594</u>
LIABILITIES	
Accounts Payable	\$ 8,724
Payroll Liabilities	9,444
<i>Total Liabilities</i>	<u>18,168</u>
FUND BALANCE	
Nonspendable	2,593
Unassigned	780,833
<i>Total Fund Balance</i>	<u>783,426</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 801,594</u>

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

Eaton Rapids Area District Library
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2024

Total Fund Balance - Governmental Fund	\$ 783,426
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(17,387)
General government capital assets of \$752,453, net of accumulated depreciation of \$372,263, are not financial resources and, accordingly, are not reported in the funds.	380,190
Total Net Position - Governmental Activities	\$ <u>1,146,229</u>

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

Eaton Rapids Area District Library
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2024

	<u>General</u>
Revenues	
Property Taxes	\$ 417,107
Intergovernmental	30,228
Penal Fines	19,880
Fines and Fees	1,897
Interest	20,924
Other	20,812
<i>Total Revenues</i>	<u>510,848</u>
Expenditures	
Salaries and Wages	207,928
Fringe Benefits	28,734
Utilities and Telephone	17,679
Repairs and Maintenance	46,581
Insurance	6,249
Supplies	20,236
Programs	16,943
Dues and Subscriptions	6,298
Education and Training	5,595
Books and Materials	48,110
Building and Equipment	5,834
Other	6,934
<i>Total Expenditures</i>	<u>417,121</u>
<i>Excess of Revenues Over</i>	
<i>(Under) Expenditures</i>	<u>93,727</u>
<i>Net Change in Fund Balance</i>	93,727
<i>Fund Balance at Beginning of Period</i>	<u>689,699</u>
<i>Fund Balance at End of Period</i>	<u>\$ 783,426</u>

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

Eaton Rapids Area District Library
Reconciliation of Governmental Fund Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2024

Total Net Change in Fund Balances - Governmental Fund	\$ 93,727
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 which capital outlay additions of \$39,818 is exceeded by depreciation expense of \$41,372 in the current period.	(1,554)
Change in Compensated Absences	(5,528)
Changes in Net Position - Governmental Activities	\$ <u>86,645</u>

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

NOTES TO FINANCIAL STATEMENTS

Eaton Rapids Area District Library

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Eaton Rapids Area 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

Eaton Rapids Area District Library was established under a District Library Agreement with Eaton Rapids Township, Hamlin Township, and the City of Eaton Rapids pursuant to the District Library Establishment Act, 1989 PA 24, MCL 397.171 on July 24, 2018. The Library is located in the City of Eaton Rapids, Michigan and is governed by a seven-member appointed board. The City of Eaton Rapids, Eaton Rapids Township, and Hamlin Township each appoint two members to the Board with one additional rotating Board member. The Library is funded through tax levies, fines, state aid, and contributions.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 61, *"The Financial Reporting Entity,"* these financial statements present the Library. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. There are no other units that should be included in the financial statements.

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 unrestricted items 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) investment in capital assets, 2) restricted net position, and 3) unrestricted net position.

Eaton Rapids Area 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.

Financial Statement Amounts

Cash and Cash Equivalents

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.

The Library's investment policy, and state statutes, authorize the following investments:

- The Eaton County Investment Pool, and investment pool organized under the Local Government Investment Pool act, 1985 PA 121, NCK 129.141 et seq.

Eaton Rapids Area District Library

Notes to the Financial Statements

- Bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution as defined in MLA 129.91(4) provided that the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of the State of Michigan or the United States.
- Repurchase agreements consisting of instruments listed in b., above.

Receivables

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

The Library tax is levied on property in the Library's district on December 1. The Library's ad valorem tax is levied based on the taxable valuation of property as of the preceding December 31. The Library levied .9903 mills and the taxable valuation within the district was \$429,757,767 on the 2023 tax roll (generating 2024's tax revenues).

Capital Assets

Capital assets are defined by the Library as assets acquired for use in the operation of the Library with an estimated useful life in excess of three years and an individual cost of greater than \$5,000. Such assets are recorded at historical cost. Donated assets are reported at acquisition value at the date of donation. 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. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Description	Years
Building	40
Building Improvements	7 - 20
Books, Audio, and Video	5

Compensated Absences

It is the Library's policy to permit employees to accumulate earned but unused paid time off and compensation time. Library employees are granted paid time off in varying amounts based on length on service and position. Upon termination and/or the end of the calendar year, employees are paid accumulated paid time off and compensation time at their base rate of pay. A liability of \$17,387 for compensated absences was accrued because it was incurred as of year-end in the government-wide financial statements.

Eaton Rapids Area District Library

Notes to the Financial Statements

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.

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 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.

Eaton Rapids Area District Library

Notes to the Financial Statements

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.

The Library Board has designated a minimum unassigned fund balance for the Library's general fund of 15-20 percent of the subsequent year's budget. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment. The Library Director will provide a report of the fund balance as part of the setting the annual budget, approving budget amendments, or as requested.

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.

Subsequent Events

Management has evaluated subsequent events through December 23, 2024, the date on which these financial statements were available to be issued.

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.

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

- a) The Library Director prepares the proposed operating budget for the fiscal year commencing July 1 and presents it to the Library Board at its annual work session in April. The operating budget includes proposed expenditures and resources to finance them.
- b) The budget is adopted annually by the Board at the May Board meeting.

Eaton Rapids Area District Library

Notes to the Financial Statements

- c) The budget is legally adopted at the department level.
- d) Budget amendments are to be presented by the Director to the Board, as needed, to keep the budget accurate.
- e) All annual appropriations lapse at fiscal year-end.

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. During the year ended June 30, 2023, the Library had the following expenditures in excess of the amount appropriated:

General Fund	Final	Actual	Variance
Fringe Benefits	\$ 23,350	\$ 26,445	\$ (3,095)
Programs	16,700	16,943	(243)
Education and Training	3,000	5,595	(2,595)

Note 3 - Deposits and Investments

The Library reported \$771,658 of cash and cash equivalents, all of which was held within three institutions in checking, savings, and money market accounts.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Library's deposits might not be returned. State law does not require and the Library does not have a policy for deposit custodial credit risk. As of year-end, \$249,026 of the Library's bank balance of \$847,974 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the Library believes it is impractical to insure all bank deposits. As a result, the Library evaluates each financial institution with which it deposits Library funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Eaton Rapids Area District Library

Notes to the Financial Statements

Note 4 - Capital Assets

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

	July 1, 2023	Additions	Reductions	June 30, 2024
Capital assets not being depreciated				
Land	\$ 155,000	\$ -	\$ -	\$ 155,000
Capital assets being depreciated				
Building and improvements	379,934	8,763	-	388,697
Library collection	196,505	31,055	18,804	208,756
Total capital assets being depreciated	576,439	39,818	18,804	597,453
Less accumulated depreciation				
Building and improvements	270,571	6,431	-	277,002
Library collection	79,124	34,941	18,804	95,261
Total accumulated depreciation	349,695	41,372	18,804	372,263
Total capital assets (net)	\$ 381,744	\$ (1,554)	\$ -	\$ 380,190

Depreciation expense was \$41,372 for the year ended June 30, 2024 and was entirely charged to the recreation and culture function of the Library.

Note 5 – Deferred Compensation

The Library provides benefits to all of its employees who are at least 21 years of age through a deferred contribution plan with MERS. In a deferred contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate immediately upon employment. The library does not contribute any amount on behalf of the employee. The library employee contributions to the plan related to the fiscal year ended June 30, 2024 were \$4,792.

Note 6 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The Library purchased commercial insurance for risks of losses due to employee injuries and liability claims.

REQUIRED SUPPLEMENTARY INFORMATION

Eaton Rapids Area District Library
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2024

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 390,000	\$ 390,000	\$ 417,107	\$ 27,107
Intergovernmental	26,123	26,123	30,228	4,105
Penal Fines	18,000	18,000	19,880	1,880
Fines and Fees	4,100	4,100	1,897	(2,203)
Interest	12,000	12,000	20,924	8,924
Other	8,400	8,400	20,812	12,412
Total Revenues	458,623	458,623	510,848	52,225
Expenditures				
Salaries and Wages	227,034	227,034	207,928	19,106
Fringe Benefits	23,350	23,350	28,734	(5,384)
Utilities and Telephone	22,300	22,300	17,679	4,621
Repairs and Maintenance	47,992	47,992	46,581	1,411
Insurance	6,300	6,300	6,249	51
Supplies	24,423	24,423	20,236	4,187
Programs	16,700	16,700	16,943	(243)
Dues and Subscriptions	6,700	6,700	6,298	402
Education and Training	3,000	3,000	5,595	(2,595)
Books and Materials	66,000	66,000	48,110	17,890
Building and Equipment	6,500	6,500	5,834	666
Other	8,000	8,008	6,934	1,074
Total Expenditures	458,299	458,307	417,121	41,186
Excess (Deficiency) of Revenues and Over Expenditures	324	316	93,727	93,411
Net Change in Fund Balance	324	316	93,727	93,411
Fund Balance at Beginning of Period	689,699	689,699	689,699	--
Fund Balance at End of Period	\$ 690,023	\$ 690,015	\$ 783,426	\$ 93,411

December 23, 2024

To the Members of the Library Board
Eaton Rapids Area District Library
Eaton Rapids, Michigan

We have audited the financial statements of the governmental activities and the major fund of the Eaton Rapids Area District Library (the “Library”) for the year ended June 30, 2024. 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 December 23, 2024. 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. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2024. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management’s estimate of the current year capital asset depreciation expense is based on the estimated useful lives of the Library’s capital assets.
- Management’s estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 December 23, 2024.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit'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 management's discussion and analysis and the budgetary comparison schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we

obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restrictions on Use

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

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being a simple loop.

Gabridge & Company, PLC
Grand Rapids, MI