



**SALEM-SOUTH LYON DISTRICT LIBRARY  
OAKLAND COUNTY, MICHIGAN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2022**

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## INDEPENDENT AUDITOR'S REPORT

To the Library Board  
Salem-South Lyon District Library  
South Lyon, Michigan

### Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Salem-South Lyon District Library (the "Library"), as of and for the year ended June 30, 2022, 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, 2022, 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 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 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, PLC  
Grand Rapids, Michigan  
November 8, 2022

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

**Salem-South Lyon District Library  
Management's Discussion and Analysis  
June 30, 2022**

As management of the Salem-South Lyon 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, 2022. 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 \$4,064,745 (shown as *net position*). Of this amount, \$1,245,726 (*unrestricted net position*), may be used to meet the government's ongoing obligations to citizens and creditors.
- During the year, the Library received \$1,733,205 in revenues and had \$1,738,133 in expenses resulting in a decrease in net position of \$4,928.
- The general fund increased its fund balance by \$137,267 during the year for an ending fund balance of \$1,288,220.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$875,530, or 55% 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). The statement of activities must, at a minimum, present expenses by function. Accordingly, expenses are reported by function as well as further detail.

**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 \$4,064,745 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):

### Salem-South Lyon District Library's Net Position

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash and Investments	\$ 1,319,201	\$ 1,176,547
Accounts Receivable	9,156	7,204
<b>Total Current Assets</b>	<b>1,328,357</b>	<b>1,183,751</b>
<i>Noncurrent Assets</i>		
Capital Assets not Being Depreciated	152,000	172,709
Capital Assets Being Depreciated	3,338,249	3,512,535
Endowment	23,770	26,931
<b>Total Assets</b>	<b>4,842,376</b>	<b>4,895,926</b>
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts Payable	33,366	33,185
Accrued Salaries and Wages	25,927	22,333
Accrued Payroll Taxes	4,614	4,211
Accrued Interest	2,137	2,306
Current Portion of Compensated Absences	14,099	12,085
Current Portion of Long-Term Debt	55,000	55,000
<b>Total Current Liabilities</b>	<b>135,143</b>	<b>129,120</b>
<i>Noncurrent Liabilities</i>		
Compensated Absences	2,488	2,133
Long-Term Debt	640,000	695,000
<b>Total Liabilities</b>	<b>777,631</b>	<b>826,253</b>
<b>NET POSITION</b>		
Investment in Capital Assets	2,795,249	2,935,244
Restricted - Endowment	23,770	26,931
Unrestricted	1,245,726	1,107,498
<b>Total Net Position</b>	<b>\$ 4,064,745</b>	<b>\$ 4,069,673</b>

A significant portion of the Library's net position (\$2,795,249, or 69%) 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.



Another portion with a balance of \$23,770 is restricted for the Library's endowment.

The remaining balance of \$1,245,726 is unrestricted and may be used to meet the Library's ongoing obligations to its patrons and creditors.

Cash and cash equivalents increased \$142,654. This change closely follows the change in fund balance for the current year. Capital assets being depreciated decreased by \$174,286 as a result of depreciation expense exceeding capital asset additions.

The Library's overall net position decreased \$4,928 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 decreased \$4,928 from the prior fiscal year for an ending balance of \$4,064,745.

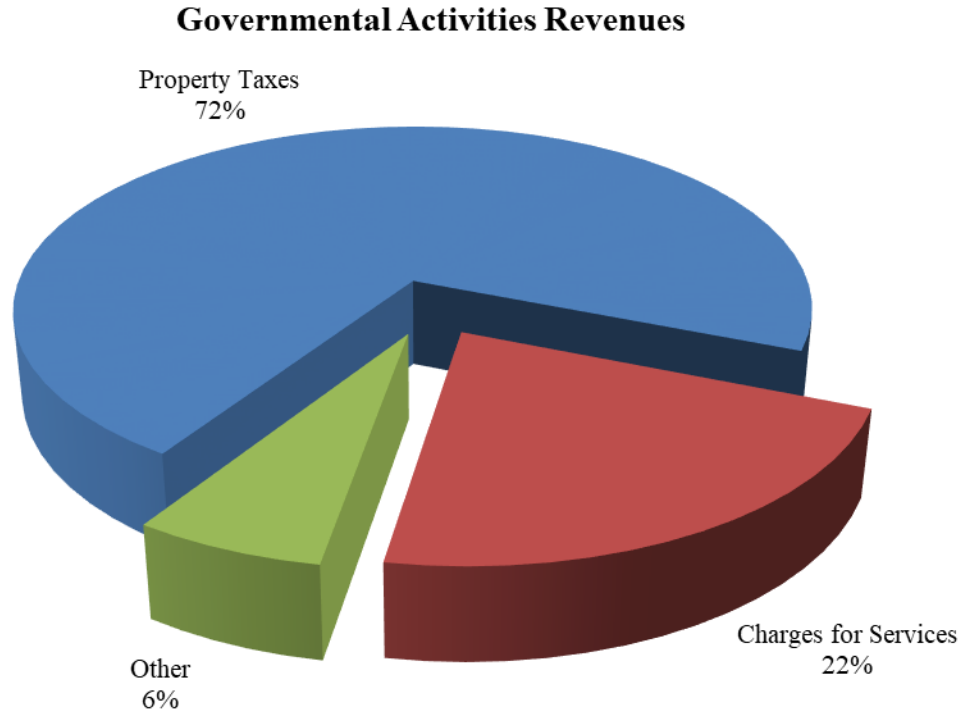
### **Salem-South Lyon District Library's Changes in Net Position**

	<b>2022</b>	<b>2021</b>
<b>Program Revenues</b>		
Charges for Services	\$ 376,231	\$ 351,933
Operating Grants and Contributions	37,983	45,636
<b><i>Total Program Revenues</i></b>	<b>414,214</b>	<b>397,569</b>
<b>General Revenues</b>		
Property Taxes	1,245,271	1,215,009
Intergovernmental	31,371	19,084
Penal Fines	42,037	39,052
Interest Revenue	312	7,041
<b><i>Total General Revenues</i></b>	<b>1,318,991</b>	<b>1,280,186</b>
<b>Total Revenues</b>	<b>1,733,205</b>	<b>1,677,755</b>
<b>Expenses</b>		
Recreation and Culture:		
Library Materials, Services, Personnel and Facility	1,710,627	1,629,564
Interest on Long-Term Debt	27,506	29,406
<b>Total Expenses</b>	<b>1,738,133</b>	<b>1,658,970</b>
<b><i>Net Change in Net Position</i></b>	<b>(4,928)</b>	<b>18,785</b>
Net Position at Beginning of Period	4,069,673	4,050,888
<b><i>Net Position at End of Period</i></b>	<b>\$ 4,064,745</b>	<b>\$ 4,069,673</b>

Property taxes increased \$24,298 due to a typical annual increase in taxable value. Library materials, services, personnel and facility expenses increased \$81,063. This increase is mainly due an increase in depreciation expense of \$20,763 and having \$33,672 fewer capital asset additions this year. Capital asset additions lower the expense on the government-wide statements and accordingly having fewer additions this year would increase the expense.

## Governmental Activities

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



Personnel expenses were the largest expenses for the Library. The Library spent \$901,052 on salaries and wages, or 52% of the Library's expenses. Depreciation expense of \$386,585 represented 22% 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 \$137,267, bringing the fund balance to \$1,288,220. 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 \$30,262 due to a typical annual increase in taxable value. Expenditures were comparable to the prior year within the general fund.

## **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 no budget exceptions for the fiscal year.

## **Capital Asset and Debt Administration**

**Capital Assets.** The Library's investment in capital assets at year-end amounted to \$3,490,249 (net of accumulated depreciation). Capital assets of the Library include any items purchased that have an expected useful life of over one year and have an initial individual cost of \$1,000 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.

**Long-Term Debt.** The Library had debt outstanding of \$695,000 as of June 30, 2022. More information on this long-term debt 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.

## **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:

Salem-South Lyon District Library  
9800 Pontiac Trail,  
South Lyon, MI 48178

Ph: (248) 437-6431

## **BASIC FINANCIAL STATEMENTS**

**Salem-South Lyon District Library**  
**Statement of Net Position**  
**June 30, 2022**

**ASSETS**

*Current Assets*

Cash and Investments	\$ 1,319,201
Accounts Receivable	9,156
<b>Total Current Assets</b>	<b>1,328,357</b>

*Noncurrent Assets*

Capital Assets not being Depreciated	152,000
Capital Assets being Depreciated	3,338,249
Endowment	23,770
<b>Total Assets</b>	<b>4,842,376</b>

**LIABILITIES**

*Current Liabilities*

Accounts Payable	33,366
Accrued Salaries and Wages	25,927
Accrued Payroll Taxes	4,614
Accrued Interest	2,137
Current Portion of Compensated Absences	14,099
Current Portion of Long-Term Debt	55,000
<b>Total Current Liabilities</b>	<b>135,143</b>

*Noncurrent Liabilities*

Compensated Absences	2,488
Long-Term Debt	640,000
<b>Total Liabilities</b>	<b>777,631</b>

**NET POSITION**

Net Investment in Capital Assets	2,795,249
<i>Restricted for:</i>	
Endowment - Nonexpendable	23,770
<i>Unrestricted</i>	1,245,726
<b>Total Net Position</b>	<b>\$ 4,064,745</b>

**Salem-South Lyon District Library**  
**Statement of Activities**  
**For the Year Ended June 30, 2022**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
Recreation and Culture:					
Library Materials, Services, Personnel and Facility	\$ 1,710,627	\$ 376,231	\$ 37,983	\$ --	\$ (1,296,413)
Interest on Long-Term Debt	27,506	--	--	--	(27,506)
<b>Total</b>	<b>\$ 1,738,133</b>	<b>\$ 376,231</b>	<b>\$ 37,983</b>	<b>\$ --</b>	<b>(1,323,919)</b>
<b>General Purpose Revenues:</b>					
Property Taxes					1,245,271
Intergovernmental					31,371
Penal Fines					42,037
Interest Revenue					312
<b>Total General Revenues</b>					<b>1,318,991</b>
<b>Change in Net Position</b>					<b>(4,928)</b>
<i>Net Position at Beginning of Period</i>					4,069,673
<b>Net Position at End of Period</b>					<b>\$ 4,064,745</b>

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

**Salem-South Lyon District Library**  
**Balance Sheet**  
**Governmental Fund**  
**June 30, 2022**

	<u>General</u>
<b>ASSETS</b>	
Cash and Investments	\$ 1,319,201
Accounts Receivable	9,156
Endowment	23,770
<i><b>Total Assets</b></i>	<u><b>\$ 1,352,127</b></u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 33,366
Accrued Salaries and Wages	25,927
Accrued Payroll Taxes	4,614
<i><b>Total Liabilities</b></i>	<u><b>63,907</b></u>
<b>FUND BALANCE</b>	
Restricted	23,770
Assigned	388,920
Unassigned	875,530
<i><b>Total Fund Balance</b></i>	<u><b>1,288,220</b></u>
<i><b>Total Liabilities and Fund Balance</b></i>	<u><b>\$ 1,352,127</b></u>

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

**Salem-South Lyon District Library**  
**Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position**  
**June 30, 2022**

Total Fund Balance - Governmental Fund	\$ 1,288,220
In the statement of activities, interest is accrued on long-term debt, whereas in governmental funds, the interest expenditure is reported when due.	(2,137)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This represents capital assets of \$7,989,920, net of accumulated depreciation of \$4,499,671.	3,490,249
Compensated absences are not due in and payable in the current period, therefore, are not reported in the funds.	(16,587)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(695,000)
<b>Total Net Position - Governmental Activities</b>	<b>\$ <u>4,064,745</u></b>

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



**Salem-South Lyon District Library**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Fund**  
**For the Year Ended June 30, 2022**

	<u>General</u>
<b>Revenues</b>	
Property Taxes	\$ 1,245,271
Intergovernmental	31,371
Penal Fines	42,037
Grant Revenue	7,398
Contributions	42,045
Charges for Services	346,192
Fines and Fees	9,169
Interest Revenue	312
Miscellaneous Revenue	9,410
<b><i>Total Revenues</i></b>	<u>1,733,205</u>
<b>Expenditures</b>	
Personnel	898,683
Library Services and Materials	266,564
Facilities and Equipment	257,847
Other Expenditures	90,169
Debt Service - Principal	55,000
Debt Service - Interest	27,675
<b><i>Total Expenditures</i></b>	<u>1,595,938</u>
<b><i>Excess of Revenues Over</i></b>	
<b><i>(Under) Expenditures</i></b>	<u>137,267</u>
<b><i>Net Change in Fund Balance</i></b>	<b>137,267</b>
<i>Fund Balance at Beginning of Period</i>	<u>1,150,953</u>
<b><i>Fund Balance at End of Period</i></b>	<b><u>\$ 1,288,220</u></b>

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

**Salem-South Lyon 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, 2022**

Total Net Change in Fund Balances - Governmental Fund	\$	137,267
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<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the increase in compensated absences of \$2,369 and the decrease in accrued interest of \$169.</p>		(2,200)
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<p>Current year long-term debt principal payments on bonds payable are expenditures in the fund financial statements but are reductions in long-term debt in the government-wide financial statements.</p>		55,000
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<p>Governmental funds report capital outlay as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This represents the amount by which depreciation expense of \$386,585 exceeded capital outlay of \$191,590.</p>		(194,995)
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<b>Changes in Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>(4,928)</u></b>
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## **NOTES TO FINANCIAL STATEMENTS**

## **Salem-South Lyon District Library**

### **Notes to the Financial Statements**

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#### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Salem-South Lyon 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***

Salem-South Lyon District Library was established under a District Library Agreement with Salem Township and the City of South Lyon pursuant to the District Library Establishment Act, 1989 PA 24, MCL 397.171. The Library is located in Salem Township within Washtenaw County, Michigan and is governed by a seven-member elected board. 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.

## Salem-South Lyon District Library

### Notes to the Financial Statements

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#### ***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. Investments are stated at fair value.

State statutes and Library policy authorize the Library to invest in:

## **Salem-South Lyon District Library**

### **Notes to the Financial Statements**

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- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

#### ***Investments***

Investments are stated at fair market value. Investments are exposed to various risks, such as significant external events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

#### ***Receivables***

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

State aid is accrued for in accordance with the report provided by the State of Michigan which is when the revenue is earned.

The Library tax is levied on property in the Library's district on July 1 and becomes an enforceable lien on December 1. The Library's ad valorem tax is levied based on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year. The Library levied 1.5285 mill and the taxable valuation within the district was \$817,763,269 on the 2021 tax roll (generating 2022's tax revenues).

## Salem-South Lyon District Library

### Notes to the Financial Statements

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#### ***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 \$1,000. 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:

<b>Description</b>	<b>Years</b>
Building and Improvements	15- 30
Equipment, Furniture, and Fixtures	5 - 7
Library collection	7 - 10

#### ***Accrued Interest***

In accordance with GASB interpretation No. 6, accrued interest is recorded on the government-wide statements rather than within the fund financial statements.

#### ***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***

The Library's employees are granted paid time off ("PTO") in varying amounts based upon length of service and position. Unused PTO may accumulate and be carried over to a subsequent year, subject to restrictions. It is the Library's policy to recognize the cost of PTO leave at the time payments are made. PTO pay accrued at year-end which is subject to payment upon termination has been included as a liability on the statement of net position and not on the balance sheet as the balance is not expected to be liquidated with expendable available financial resources.

#### ***Deferred Outflow /Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, a separate financial statement element, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Library does not have any items that qualify for reporting in this category.

## **Salem-South Lyon District Library**

### **Notes to the Financial Statements**

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Deferred inflows 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 does not have any items that qualify for reporting in this category.

#### ***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.



## **Salem-South Lyon District Library**

### **Notes to the Financial Statements**

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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 budget committee, with informal board approval, 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.

Minimum unassigned fund balance shall be two months of general fund expenditures or 17% of general fund revenue, whichever is greater. Although circumstances may require the unassigned fund balance to fall below the minimum level established by this policy, it shall be the Library Board's intent that such minimum balance shall be re-established at the earliest possible opportunity.

#### ***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 November 8, 2022, 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:

## Salem-South Lyon District Library

### Notes to the Financial Statements

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- 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.
- c) The budget is legally adopted at the cost center control level.
- d) Budget amendments are to be presented by the budget committee 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, 2022, the Library had no expenditures in excess of the amount appropriated.

### Note 3 - Deposits and Investments

The Library maintains demand deposits and short-term investment accounts. Following is a reconciliation of deposit and investment balances as of June 30, 2022:

#### Statement of Net Position

Cash and Investments	\$ 1,319,201
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#### Deposits and Investments

Checking and Savings Accounts	\$ 917,472
-------------------------------	------------

Brokerage Account	259,810
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External Investment Pool	141,694
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Cash on Hand	225
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<b>Total</b>	<b><u>\$ 1,319,201</u></b>
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### *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, \$250,000 of the Library's bank balance of \$974,273 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

## Salem-South Lyon District Library

### Notes to the Financial Statements

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.

**Custodial Credit Risk - Investments.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In order to minimize this risk, Library policy limits the types of investments and pre-qualifies financial institutions. As of June 30, 2022, none of the Library's investments were exposed to risk since the securities are held in the Library's name by the counterparty.

Following is a summary of the Library's investments as of June 30, 2022:

Cash Equivalents	\$ 401,504
------------------	------------

**Credit Risk.** State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The Library's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings, where applicable, are summarized as follows:

<u>Rating Agency</u>	<u>Rating</u>	<u>FMV</u>
S&P	AAAm	\$ 141,694
Not Rated	N/A	259,810
Total		<u>\$ 401,504</u>

**Interest Rate Risk.** Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Library's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Maturity dates for investments held at year-end are summarized as follows:

	<u>Investments</u>
No Maturity	\$ 401,504

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of the Library's investment in a single issuer. State law limits allowable investments

## Salem-South Lyon District Library

### Notes to the Financial Statements

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but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The Library's investment policy does not limit investments in a single financial institution of a single security type (with the exception of U.S. treasuries and agencies and authorized pools) to a percentage of the total investment portfolio. All investments held at year end are reported above.

#### ***Fair Value Measurements***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs.

There are three levels of inputs that may be used to measure fair value:

- |          |  |
|----------|--|
| Level 1: | Quoted prices in active markets for identical securities.  |
| Level 2: | Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.   |
| Level 3: | Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available. |

The Library has the following recurring fair value measurements as of June 30, 2022:

- All investments that are categorized as cash equivalents with a balance of \$259,810, which are valued using quoted market prices (level 1 inputs).
- All external investment pool (MI-Class), with a balance of \$141,694, are valued using observable inputs (level 2 inputs).

## Salem-South Lyon District Library

### Notes to the Financial Statements

#### Note 4 - Capital Assets

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

	July 1, 2021	Additions	Reductions	Transfers	June 30, 2022
Capital assets not being depreciated					
Land	\$ 152,000	\$ -	\$ -	\$ -	\$ 152,000
Construction in Process	20,709	-	-	(20,709)	-
Total capital assets not being depreciated	172,709	-	-	(20,709)	152,000
Capital assets being depreciated					
Building and Improvements	5,859,918	62,704	-	20,709	5,943,331
Equipment, Furniture, and Fixtures	600,290	21,945	-	-	622,235
Library Collection	1,165,413	106,941	-	-	1,272,354
Total capital assets being depreciated	7,625,621	191,590	-	20,709	7,837,920
Less accumulated depreciation					
Building and Improvements	2,781,074	202,582	-	-	2,983,656
Equipment, Furniture, and Fixtures	556,876	17,515	-	-	574,391
Library Collection	775,136	166,488	-	-	941,624
Total accumulated depreciation	4,113,086	386,585	-	-	4,499,671
<b>Total capital assets (net)</b>	<b>\$ 3,685,244</b>	<b>\$ (194,995)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,490,249</b>

Depreciation expense was \$386,585 for the year ended June 30, 2022 and was entirely charged to the recreation and culture function of the Library.

#### Note 5 - Long-term Debt

The following is a summary of the debt transactions of the Library for the year ended June 30, 2022:

	Interest Rate	Maturity	6/30/2021 Balance	Additions	Reductions	6/30/2022 Balance	Due Within One Year
<b>Bonds and Contracts Payable - Other Debt</b>							
2018 Capital Improvement Bonds	3.69%	2033	\$ 750,000	\$ -	\$ 55,000	\$ 695,000	\$ 55,000
Compensated Absences			14,218	2,369	-	16,587	14,099
<b>Total</b>			<b>\$ 764,218</b>	<b>\$ 2,369</b>	<b>\$ 55,000</b>	<b>\$ 711,587</b>	<b>\$ 69,099</b>

## Salem-South Lyon District Library

### Notes to the Financial Statements

The annual requirements to amortize all debt outstanding (excluding compensated absences) as of June 30, 2022, are as follows:

	<b>Governmental</b>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 55,000	\$ 25,646	\$ 80,646
2024	55,000	23,616	78,616
2025	55,000	21,587	76,587
2026	60,000	19,557	79,557
2027	60,000	17,343	77,343
2028-2032	335,000	51,476	386,476
2033	75,000	2,768	77,768
<b>Totals</b>	<b>\$ 695,000</b>	<b>\$ 161,991</b>	<b>\$ 856,991</b>

#### Note 6 – Deferred Compensation

The Library provides benefits to all of its employees who work more than 20 hours per week on a regularly scheduled basis through a deferred contribution plan with security benefits. In a deferred contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after three months of employment. As established by the library board, the Library contributes 6.5 percent of employees' gross earnings, and employee contributions for each employee plus interest allocated to the employee's account are fully vested upon admittance to the plan. The library employee and employer contributions to the plan related to the fiscal year ended June 30, 2022, were \$0 and \$7,059, respectively.

In January 2018, the Library began offering an additional deferred contribution plan held with the Municipal Employees' Retirement System. This plan is offered to all employees. Total employee and employer contributions to the Plan for the year ended June 30, 2022 were \$38,851 and \$25,758, respectively.

## Salem-South Lyon District Library

### Notes to the Financial Statements

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#### Note 7 – Fund Balances

The Library has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Summarized information on fund balances of the Library's funds was as follows:

<b>Fund Balances</b>	<b>General Fund</b>
Restricted	
Endowment - Nonexpendable	\$ 23,770
Assigned	
Future Capital Improvements	388,920
Unassigned	875,530
<b>Total Fund Balances</b>	<b>\$ 1,288,220</b>

#### Note 8 - 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**



**Salem-South Lyon District Library**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2022**

	<b>Budgeted Amounts</b>			<b>Variance Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Property Taxes	\$ 1,259,951	\$ 1,259,951	\$ 1,245,271	\$ (14,680)
Intergovernmental	15,000	15,000	31,371	16,371
Penal Fines	41,000	41,000	42,037	1,037
Grant Revenue	--	--	7,398	7,398
Contributions	32,900	32,900	42,045	9,145
Charges for Services	324,000	324,000	346,192	22,192
Fines and Fees	--	--	9,169	9,169
Interest Revenue	250	250	312	62
Miscellaneous Revenue	18,250	18,250	9,410	(8,840)
<b>Total Revenues</b>	<b>1,691,351</b>	<b>1,691,351</b>	<b>1,733,205</b>	<b>41,854</b>
<b>Expenditures</b>				
Personnel	975,000	945,000	898,683	46,317
Library Services and Materials	273,197	273,197	266,564	6,633
Facilities and Equipment	267,154	287,154	257,847	29,307
Other Expenditures	93,325	103,325	90,169	13,156
Debt Service - Principal	55,000	55,000	55,000	--
Debt Service - Interest	27,675	27,675	27,675	--
<b>Total Expenditures</b>	<b>1,691,351</b>	<b>1,691,351</b>	<b>1,595,938</b>	<b>95,413</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>--</b>	<b>--</b>	<b>137,267</b>	<b>137,267</b>
<b>Net Change in Fund Balance</b>	<b>--</b>	<b>--</b>	<b>137,267</b>	<b>137,267</b>
<b>Fund Balance at Beginning of Period</b>	<b>1,150,953</b>	<b>1,150,953</b>	<b>1,150,953</b>	<b>--</b>
<b>Fund Balance at End of Period</b>	<b>\$ 1,150,953</b>	<b>\$ 1,150,953</b>	<b>\$ 1,288,220</b>	<b>\$ 137,267</b>

November 8, 2022

To the Library Board  
Salem-South Lyon District Library

We have audited the financial statements of the governmental activities and the major fund of the Salem-South Lyon District Library (the "Library") for the year ended June 30, 2022. 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 April 20, 2022. 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 year. 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 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. No misstatements above trivial were found.

### ***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 8, 2022.

### ***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 management's discussion and analysis and the budgetary comparison schedules, 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 information and use of the Board and management 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 has a fluid, connected style.

Gabridge & Company, PLC  
Grand Rapids, MI