

**BEAVER ISLAND DISTRICT LIBRARY
CHARLEVOIX COUNTY, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)
YEAR ENDED MARCH 31, 2024**



**SCHULZE, OSWALD, MILLER & EDWARDS PC
CERTIFIED PUBLIC ACCOUNTANTS
989-354-8707**

BEAVER ISLAND DISTRICT LIBRARY
CHARLEVOIX COUNTY, MICHIGAN
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INDEPENDENT AUDITORS' REPORT

To the Board Members of
Beaver Island District Library
Charlevoix County, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the **Beaver Island District Library (the 'Library')**, as of and for the year ended March 31, 2024, and the related notes to the financial statements, which collectively comprise the **Beaver Island District Library's** basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund of the **Beaver Island District Library**, as of March 31, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the **Beaver Island District Library**, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 6 to the financial statements, for the fiscal year the Library adopted new accounting guidance, GASB Statement No. 96, Subscription Based IT Arrangements. Our opinions are not modified with respect to this matter.

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 **Beaver Island District 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.

Auditors' 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 auditors' 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.

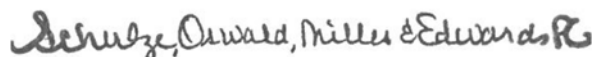
In performing an audit in accordance with generally accepted auditing standards, we:

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

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

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 identified 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Schulze, Oswald, Miller & Edwards PC
Alpena, Michigan
August 12, 2024

The following discussion and analysis of the financial performance for the Beaver Island District Library (the Library) provides an overview of the Library's financial activities for the fiscal year ended March 31, 2024. Please read it in conjunction with the Library's financial statements.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Beaver Island District Library as a whole and present a longer-term view of the Library's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

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

Statement of Net Position / Statement of Activities

The following table shows, in a condensed format, the Library's net position as of March 31, 2024 and 2022, the last year the Library had an audit conducted.

	March 31,	
	<u>2024</u>	<u>2022</u>
Assets		
Current Assets	\$ 297,857	\$ 227,423
Capital Assets	110,287	62,027
Total Assets	408,144	289,450
Liabilities		
Current Liabilities	2,313	6,977
Net Position		
Investment in Capital Assets	110,287	62,027
Restricted for Capital Projects	50,493	47,961
Unrestricted	245,051	172,485
Total Net Position	\$ 405,831	\$ 282,473

The following table shows the changes in net position during the years ended March 31, 2024 and 2022.

	March 31,	
	<u>2024</u>	<u>2022</u>
Revenues		
Program Revenues		
Charges for Services	\$ -	\$ 4,425
Operating Grants & Contributions	7,848	39,354
General Revenue		
Property Taxes	139,118	123,371
State Aid - Unrestricted	908	1,508
Penal Fines	1,990	2,054
Investment Earnings (Loss)	112	6,636
Miscellaneous	14,364	2,204
Total Revenues	164,340	179,552
Program Expenses		
Recreation & Culture	157,145	170,326
Change in Net Position	\$ 7,195	\$ 9,226

The Library as a Whole

The Library's total net position was \$405,831 at March 31, 2024. Unrestricted net position (the part of net position that can be used to finance day-to-day operations) was \$245,051 at the end of the fiscal year. The net position invested in capital assets at \$110,287 and \$50,493 was restricted for capital projects resulting from donor-imposed restrictions at the end of the fiscal year.

The Library's governmental revenues totaled \$164,340 with the greatest revenue source being property taxes. Property taxes make up 84.65% of total governmental revenue. Property taxes increased 12.76% over the past two years as a result of the increase in taxable value and the millage rate remaining consistent in the 23-24 fiscal year.

The Library incurred expenses of \$157,145 during the year. The majority of governmental expense is associated with the staffing of the Library, which provides all library services. Expenses were \$13,181 less than 2022 mainly due to the decrease of contractual services in the current year.

The Library's Fund

The analysis of the Library's major fund begins on page 10, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Beaver Island District Library as a whole. The Library's Board of Trustees creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages. The Library's major fund for the fiscal year ended March 31, 2024, was the General Fund.

The General Fund pays for all of the Library's governmental services. The most significant expenditures during the fiscal year were staffing related costs including salaries and wages and payroll tax expense, which were \$85,363 for the fiscal year. Total General Fund expenditures increased by \$5,869 over the past year, partially as a result of an increase in repairs and maintenance and capital outlay. There was an increase in repairs and maintenance of \$6,616 over the last year and \$13,493 of capital outlay. The Library capital asset purchases relate to books and equipment required for the books.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Board made amendments to adjust various expenditures accounts. The General Fund spent \$956 less than budgeted primarily attributed to actual expenditures not exceeding amounts budgeted in other expenditures. Actual revenues were \$24,123 less than budgeted due to contributions and donations being less than expected.

Capital Assets

At the end of the fiscal year, the Library had a historical cost of \$425,810 invested in a broad range of capital assets, including land improvements, building improvements, equipment, and books. The value of capital assets at March 31, 2024, net of accumulated depreciation, was \$110,288. More information related to capital assets is located in Note 3 of the financial statements.

Summary of the Library's Capital Assets - Net of Depreciation

	<u>Governmental Activities</u>	
	<u>6/30/2024</u>	<u>6/30/2022</u>
Land Improvements	\$ 6,837	\$ 6,837
Building Improvements	81,865	34,051
Books	207,887	180,102
Equipment	129,221	129,220
Less: Accumulated Depreciation	<u>(315,522)</u>	<u>(288,183)</u>
Total Governmental Activities	<u>\$ 110,288</u>	<u>\$ 62,027</u>

Economic Factors and Next Year's Budget

Uncertainty surrounds the State's economic condition and the effect that it will have on the Library's primary sources of revenue. The most significant revenue stream for the Library is property taxes, which are based on the taxable value of property within the district. State aid has seen a steady decline in recent years and that trend is expected to continue. Penal fines are generated through the District Court and have also declined in recent years. These economic factors have the potential to negatively impact next year's budget.

Contacting the Library's Management

This financial report is intended to provide the citizens, taxpayers, patrons, and investors with a general overview of the Library's finances and demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Secretary or Treasurer of the Beaver Island District Library Board of Directors.

BEAVER ISLAND DISTRICT LIBRARY
CHARLEVOIX COUNTY, MICHIGAN
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
MARCH 31, 2024

ASSETS

Cash and Cash Equivalents	\$ 247,364
Investments with Agent	50,493
Capital Assets, Net of Accumulated Depreciation	<u>110,287</u>
Total Assets	<u><u>408,144</u></u>

LIABILITIES

Accrued Liabilities	<u>2,313</u>
Total Liabilities	<u><u>2,313</u></u>

NET POSITION

Investment in Capital Assets	110,287
Restricted for Capital Projects	50,493
Unrestricted	<u>245,051</u>
Total Net Position	<u><u>\$ 405,831</u></u>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

BEAVER ISLAND DISTRICT LIBRARY
CHARLEVOIX COUNTY, MICHIGAN
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED MARCH 31, 2024

	PROGRAM REVENUES		NET (EXPENSE) REVENUE & CHANGES IN NET POSITION
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS/ CONTRIBUTIONS
FUNCTIONS/PROGRAMS			GOVERNMENTAL ACTIVITIES
Governmental Activities			
Recreation and Culture	\$ 157,145	\$ -	\$ 7,848
			\$ (149,297)
General Revenues			
Property Taxes			139,118
State Aid			908
Penal Fines			1,990
Investment Earnings			112
Other			14,364
Total General Revenues			156,492
Change in Net Position			7,195
Net Position, Beginning of Year			398,636
Net Position, End of Year			\$ 405,831

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

**BEAVER ISLAND DISTRICT LIBRARY
CHARLEVOIX COUNTY, MICHIGAN
FUND FINANCIAL STATEMENTS
BALANCE SHEET
AS OF MARCH 31, 2024**

	<u>GENERAL FUND</u>
ASSETS	
Cash and Cash Equivalents	\$ 247,364
Investments with Agent	<u>50,493</u>
Total Assets	<u>297,857</u>
LIABILITIES	
Accrued Liabilities	<u>2,313</u>
Total Liabilities	<u>2,313</u>
FUND BALANCES	
Restricted for Capital Projects	50,493
Assigned for Subsequent Year's Expenditures	25,650
Unassigned	<u>219,401</u>
Total Fund Balances	<u>295,544</u>
Total Liabilities and Fund Balances	<u><u>\$ 297,857</u></u>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

**BEAVER ISLAND DISTRICT LIBRARY
CHARLEVOIX COUNTY, MICHIGAN
FUND FINANCIAL STATEMENTS
RECONCILIATION OF BALANCE SHEET TO STATEMENT OF NET POSITION
31-Mar-24**

Total Fund Balance - Governmental Fund	\$ 295,544
 Amounts reported for governmental activities in the statement of net position are different because:	
 Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds:	
Cost of Capital Assets	425,809
Accumulated Depreciation	<u>(315,522)</u>
 Capital Assets, Net	 <u>110,287</u>
Total Net Position - Governmental Activities	 <u><u>\$ 405,831</u></u>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

**BEAVER ISLAND DISTRICT LIBRARY
 CHARLEVOIX COUNTY, MICHIGAN
 FUND FINANCIAL STATEMENTS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR THE FISCAL YEAR ENDED MARCH 31, 2024**

	GENERAL FUND
REVENUES	
Property Taxes	\$ 139,118
Intergovernmental	2,898
Investment Earnings	112
Other	14,364
Contributions and Donations	7,848
	164,340
Total Revenues	164,340
 EXPENDITURES	
Recreation and Culture	
Salaries and Wages	85,363
Payroll Taxes	6,557
Utilities	6,563
Supplies	2,250
Repairs and Maintenance	17,660
Insurance	2,876
Contractual Services	16,069
Travel and Workshops	3,737
Miscellaneous	1,843
Capital Outlay	
Materials	15,811
Other	30,653
	189,382
Total Expenditures	189,382
 Net Change in Fund Balance	(25,042)
 Fund Balance, Beginning of Year	320,586
 Fund Balance, End of Year	\$ 295,544

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

**BEAVER ISLAND DISTRICT LIBRARY
CHARLEVOIX COUNTY, MICHIGAN
FUND FINANCIAL STATEMENTS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED MARCH 31, 2024**

Net changes in Fund Balance - Governmental Funds \$ (25,042)

Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays as expenditures, while in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital Outlay	\$ 46,464
Depreciation Expense	<u>(14,227)</u>

Change in Net Position - Governmental Activities \$ 7,195

**BEAVER ISLAND DISTRICT LIBRARY
BEAVER ISLAND, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024**

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

Under Public Act 164 of 1955, the Township of Peaine and St. James created the Beaver Island District Library which is considered a District Library. Public Act 164 was repealed by Public Act 24 of 1989 which is the District Library Establishment Act. Public Act 24 defines the Library's legal status as "an Authority under Section 6 of Article IX of the State Constitution of 1963" thereby classifying the Library as a Michigan Municipal Corporation. The Townships collect and distribute property taxes that are levied by the Library. The Library has no stockholders, and all monies received are to be used for certain specified purposes in accordance with the bylaws of the Library.

The governing body of the Library is a board which is comprised of eight members: four appointed by the Township of Peaine and four appointed by the Township of St. James. Each Township appoints their members to a four (4) year term.

The Beaver Island District Library's goal is to provide quality library service to Beaver Island area residents by improving library services, encouraging educational advancement and personal welfare of Library personnel, and supporting the bill of rights as stated by the American Library Association.

The financial statements of the Library have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Library's more significant accounting policies are described below.

Reporting Entity

As required by accounting principles generally accepted in the United States of America; these financial statements present the financial activities of the Beaver Island District Library. The Library has no activities that would be classified as component units.

Basis of Presentation

The financial statements present the fund financial statement on a modified accrual basis with an adjustment to present the statement of net position and the statement of activities on a full accrual basis.

Government-Wide and Fund Financial Statements

The statement of net position and the statement of activities (the government-wide financial statements) present information for the Library as a whole.

The statement of activities presents the direct functional expenses of the Library and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the Library.

Fund Financial Statements

The fund financial statements present the Library's only fund. The General Fund is the general operating fund of the Library and is considered a major fund. It is used to account for all financial resources. General Fund activities are financed by revenue from general property taxes, penal fines, state aid, and other sources.

**BEAVER ISLAND DISTRICT LIBRARY
BEAVER ISLAND, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024**

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (continued)

Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

The governmental fund is presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of this fund present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period which it is earned, and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the Library before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). The length of time used for "available" for purpose of revenue recognition in the governmental fund financial statement is 60 days. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. revenues susceptible to accrual include property taxes state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are recorded when due.

Budgets and Budgetary Accounting

The General Fund budget shown as required supplementary information to the financial statements were prepared on a basis consistent with U.S. generally accepted accounting principles and the basis used to reflect actual results. The Library does not maintain a formalized encumbrance accounting system. All annual appropriations lapse at fiscal year-end. The Library employs the following procedures in establishing the budgetary data.

1. The Library prepares the proposed budgets for the fiscal year commencing April 1. The Budgets include proposed expenditures and resources to finance them.
2. Prior to incurring significant expenditures, the budgets are legally enacted through Library Board action.
3. The budgets are legally adopted at account level.
4. Budgeted amounts are reported as originally adopted or amended by the Board during the year.

**BEAVER ISLAND DISTRICT LIBRARY
BEAVER ISLAND, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024**

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (continued)

Cash and Cash Equivalents

Cash consists of money market checking and savings accounts.

A portion of the cash is classified as restricted because its use is limited. The General Fund's restrictions are related to both permanent and spendable endowments.

In accordance with Michigan Compiled Laws, the Library is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposits, savings accounts, deposits accounts or depository receipts of a State or nationally chartered bank or a State of Federally chartered savings and loan association savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office located in this State under the laws of the State of the United States, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
4. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, and which matures not more than 270 days after the date of purchase.
5. The United States government or Federal agency obligations repurchase agreements.
6. Bankers' acceptances of United States Banks.
7. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Investments with Agents

Investments with agent consist of deposits on hand with the Charlevoix County Community Foundation.

Due from Other Governmental Units

Due from other governmental units consist of property tax revenue due from the Townships of Peaine and St. James.

**BEAVER ISLAND DISTRICT LIBRARY
BEAVER ISLAND, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024**

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (continued)

Property Taxes

The municipalities within the Library's jurisdictional territory levy and collect property taxes for the Library. As the tax is collected it is remitted by the township Treasurers. At March 1 each year the townships settle their delinquent taxes with the County Treasurer and the unpaid real property tax is remitted to the Library by the County Treasurer in Charlevoix County. Delinquent personal property taxes are retained by the town Treasurers for subsequent collection. The Library is permitted to levy up to \$1 per \$1,000 of assessed valuation on property within the Library's geographical boundaries. For the year ended March 31, 2024, the Library levied 0.9869 mills. The total taxable value for the 2024 levy was \$146,376,294.

Capital and Right to Use Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

Expenditures for maintenance, repairs and renewals are charged to operations as incurred and betterments are capitalized. The Library eliminates the cost and related allowances from the accounts for assets sold or retired and resulting gains or losses, therefore, are included in operations concurrently. Donated fixed assets are recorded at their fair market values as of the date received. Right to use assets are capitalized at their historical cost.

The Library's capitalization policy is to capitalize individual amounts exceeding \$1,000.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Right to use assets are amortized over the life of the lease. Depreciation is computed using the straight-line method over the following useful lives:

Land Improvements	15 years
Building Improvements	15 - 25 years
Books	7 years
Equipment	5 years

Intangible right-to-use assets are amortized over the shorter of the lease/SBITA term, or the useful life of the underlying asset.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position and/or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Currently, the Library does not report any deferred outflows or deferred inflows of resources.

BEAVER ISLAND DISTRICT LIBRARY
BEAVER ISLAND, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (continued)

Compensated Absences

The Library does not offer compensated absences, therefore there is no accrual presented in accordance with Governmental Accounting Standards Board's Statement No. 16 "Accounting for Compensated Absences".

Details of Fund Balance Classification

Fund balance classification comprises 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. The following are the five fund balance classifications:

Nonspendable - Includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted - Includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed - Includes amounts that can only be used for specific purposes determined by a formal action by Board Resolution. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (Board Resolution) that was employed when the funds were initially committed.

Assigned - Includes amounts the Library intends to use for a specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates authority.

Unassigned - Includes amounts that are available for any purpose. Positive amounts are only reported in the General Fund.

Fund Balance Classification Policies and Procedures

The Library has formally adopted a policy that defines the order of usage for fund balance amounts. The policy states that restricted fund balance amounts will be considered to have been spent first when expenditures are incurred for which both restricted and unrestricted funds are available the policy also states that when expenditures are incurred for purposes for which amounts in any of the unreserved classifications of fund balance are available, the Library considers committed amounts to be used first, followed by assigned and then unassigned funds.

For committed fund balance, Beaver Island District Library's highest level of decision-making authority is the Library Board. the formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment is a Board resolution.

For assigned fund balance, the Beaver Island District Library has not approved a policy indicating who is authorized to assign amounts to a specific purpose, therefore the authority for assigning fund balance remains with the Library Board.

Restrictions of Net Position

Restrictions of net position shown in the government-wide financial statements indicate those restrictions imposed by the funding source or some other source precludes their use for unrestricted purposes.

BEAVER ISLAND DISTRICT LIBRARY
 BEAVER ISLAND, MICHIGAN
 NOTES TO FINANCIAL STATEMENTS
 MARCH 31, 2024

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (continued)

Comparative Data

Comparative data for the prior year has not been represented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE 2 - DEPOSITS

At March 31, 2024, the Library had deposits and investments subject to the following risk:

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Library’s deposits may not be returned to it. As of March 31, 2024, \$0 of the Library’s bank balance of \$248,391 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$247,364.

Custodial Credit Risk - Investments

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

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

As permitted by State statutes, the Library has placed monies for investment with the Charlevoix County Community Foundation (CCCF). These monies, amounting to \$50,493 as of March 31, 2024, are pooled with other CCCF funds and invested as the discretion of CCCF, which for purposes of the Library essentially functions as an external investment pool. Investments in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Interest Rate Risk

In accordance with its investment policy, the Library will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, and similar investment pools and limiting the average maturity in accordance with the Library’s cash requirements.

Investment Type	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Charlevoix County Community Foundation	<u>\$ 50,493</u>	N/A

BEAVER ISLAND DISTRICT LIBRARY
BEAVER ISLAND, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 2 – DEPOSITS (continued)

Concentration of Credit Risk

The Library will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Library’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Foreign Currency Risk

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

Fair Value Measurement

The Library is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

- 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 prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Library’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’s \$50,493 investment with the Charlevoix County Community Foundation is deemed to be a Level 3 investment within the framework noted above.

The cash and investments referred to above have been reported in either the cash or investments captions in the basic financial statements, based upon the criteria disclosed in Note 1. The following summarizes the categorization of these amounts as of March 31, 2024:

	<u>Reporting Entity</u>
Cash	\$ 247,364
Investments with Agent	50,493
	<u>\$ 297,857</u>

**BEAVER ISLAND DISTRICT LIBRARY
BEAVER ISLAND, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024**

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2024, was as follows:

	Balance April 1, 2023	Additions	Disposals	Balance March 31, 2024
Capital Assets Being Depreciated				
Land Improvements	\$ 6,837	\$ -	\$ -	\$ 6,837
Building Improvements	51,211	30,653	-	81,865
Books	192,076	15,811	-	207,887
Equipment	129,221	-	-	129,221
Subtotal	<u>379,346</u>	<u>46,464</u>	<u>-</u>	<u>425,810</u>
Less Accumulated Depreciation For:				
Land Improvements	(6,109)	(208)	-	(6,317)
Building Improvements	(16,840)	(3,377)	-	(20,217)
Books	(149,125)	(10,642)	-	(159,767)
Equipment	(129,221)	-	-	(129,221)
Subtotal	<u>(301,295)</u>	<u>(14,227)</u>	<u>-</u>	<u>(315,522)</u>
Net Capital Assets Being Depreciated	<u>63,934</u>	<u>(1,907)</u>	<u>-</u>	<u>62,027</u>
Capital Assets, Net	<u>\$ 78,051</u>	<u>\$ 32,238</u>	<u>\$ -</u>	<u>\$ 110,288</u>

NOTE 4 – RISK MANAGEMENT

The library is exposed to various risks of loss for workers' compensation for which the Library carries commercial insurance. Settled claims related to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Library participates in the Michigan Township Participating Plan (the Plan) with other municipalities for auto, employee benefits, property, public officials' wrongful acts, electronic data processing (EDP), crime, and liability losses. The Plan is organized under Public Act 138 of 1982, as amended. The Plan, while it operates under the Michigan Legislation of Public Act 138, does not operate as a risk pool due to the transfer of risk to U.S. Specialty Insurance Company ("USSIC") backing the Michigan Township Participating Plan under a master policy for the period July 1, 2011 to July 1, 2020. Due to this Master Policy purchase, there is no pooling of risk between members but instead it is commercial insurance. Settled claims relating to this insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 5 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 12, 2024, the date on which the financial statements were available to be issued.

BEAVER ISLAND DISTRICT LIBRARY
BEAVER ISLAND, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 6 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended March 31, 2024, the Library implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

Summary:

Governmental Accounting Standard Board (GASB) Statement No. 96, Subscription-based Information Technology Arrangements was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – and intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments including implementation costs of SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

There was no material impact on the Library's financial statement after the adoption of GASB Statement 96.

BEAVER ISLAND DISTRICT LIBRARY
 CHARLEVOIX COUNTY, MICHIGAN
 REQUIRED SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 FOR THE FISCAL YEAR ENDED MARCH 31, 2024

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL BALANCES	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUE				
Property Taxes	\$ 136,824	\$ 139,164	\$ 139,118	\$ (46)
Intergovernmental - State				
State Aid	500	908	908	-
Penal Fines	2,500	1,990	1,990	-
Investment Earnings	70	99	112	13
Other	14,000	7,801	14,364	6,563
Contributions and Donations	34,000	38,501	7,848	(30,653)
Total Revenue	187,894	188,463	164,340	(24,123)
EXPENDITURES				
Recreation and Culture				
Salaries and Wages	92,000	85,363	85,363	-
Payroll Taxes	7,040	6,560	6,557	3
Utilities	9,100	6,563	6,563	-
Supplies	2,200	2,250	2,250	-
Repairs and Maintenance	17,000	17,660	17,660	-
Insurance	4,000	2,876	2,876	-
Travel and Workshops	7,800	3,738	3,737	1
Contractual Services	20,500	16,984	16,069	915
Miscellaneous	3,250	1,852	1,843	9
Capital Outlay				
Materials	12,000	15,839	15,811	28
Other	33,000	30,653	30,653	-
Total Expenditures	207,890	190,338	189,382	956
Net Change in Fund Balance	(19,996)	(1,875)	(25,042)	(23,167)
Fund Balance - Beginning of Year	320,586	320,586	320,586	-
Fund Balance - End of Year	\$ 300,590	\$ 318,711	\$ 295,544	\$ (23,167)

SEE NOTES TO FINANCIAL STATEMENTS.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT FOR FINANCIAL STATEMENTS

August 12, 2024

Board of Trustees
Beaver Island District Library
Beaver Island, Michigan

In planning and performing our audit of the financial statements of the governmental activities and the major fund, of the Beaver Island District Library, Beaver Island, Michigan (the Library) as of and for the year ended March 31, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the Library's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Library's internal control to be a significant deficiency:

Material Journal Entries Proposed by Auditors

A material journal entry for the proper recognition of due from other governmental units was proposed by the auditors. This misstatement was not detected by the Library's internal control over financial reporting. This entry was brought to the attention of management and was subsequently recorded in the Library's general ledger. A similar issue was noted and reported in the prior audit.

Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), including the proper recording of journal entries to assure the trial balances from which the financial statements are prepared are in conformity with U.S. generally accepted accounting principles.

We recommend that the Library take steps to ensure that the material journal entries are not necessary at the time future audit analysis is performed.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Library's internal control to be significant deficiencies:

Segregation of Duties

During our consideration and assessment of fraud risk, we noted that the Library may not have sufficient segregation of duties in its accounting structure. The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle (i.e., receipts, disbursements, reconciliations, etc.). A similar issue was noted and reported in the prior audit.

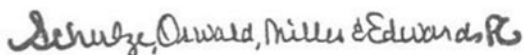
While this is a common occurrence in many smaller organizations due to the limited number of employees, the Library should realize that a greater risk is safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated. In entities where the number of individuals is limited and duties cannot be adequately separated, management or the Board must provide a greater review and supervision of accounting functions. Segregation of duties and appropriate supervisory review of activities would greatly strengthen internal controls.

We recommend that the Library's management review various areas of operation as it relates to certain accounting activities and consider additional segregation of duties to provide stronger internal controls over the areas. If duties cannot be adequately segregated due to the limited number of individuals involved, we recommend the Board provide a greater review and supervision of these functions and procedures.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provision of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported.

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



Schulze, Oswald, Miller & Edwards PC
Alpena, Michigan



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

August 12, 2024

To the Board of Trustees
Beaver Island District Library
Charlevoix County, Michigan

We have audited the financial statements of the governmental activities and the major fund of the Beaver Island District Library (the Library) for the year ended March 31, 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. 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 of the financial statements. During 2024, the Library implemented Governmental Accounting Standard Board No. 96 Subscription Based IT Arrangements. 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 calculation of depreciation expense for the current period is based on an estimate of the useful lives of the capital assets. We evaluated the key factors and assumptions used to develop the useful lives of the capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

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

The disclosure of Capital Assets in Note 1 to the financial statements estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatement, detected as a result of audit procedures, was corrected by management: Due from other governmental units.

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 auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representation

We have requested certain representations from management that are included in the management representation letter dated August 12, 2024.

Management's 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 auditors' 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 relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, and Budgetary Comparison Schedule, which require supplemental 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.

Upcoming Accounting Pronouncements

In June 2022, the GASB issued Statement No. 100, Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Library is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025 fiscal year.

In June 2022, the GASB issued Statement No. 101, Compensated Absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Library is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025 fiscal year.

Restrictions on Use

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

Schulze, Oswald, Miller & Edwards PC

Schulze, Oswald, Miller & Edwards PC
Alpena, Michigan