

**OSCODA COUNTY DISTRICT LIBRARY  
MIO, MICHIGAN  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2023**

**OSCODA COUNTY DISTRICT LIBRARY**  
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**Tyler J. Watters, P.C.**  
Certified Public Accountant

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**INDEPENDENT AUDITOR'S REPORT**

October 18, 2023

Board of Directors  
Oscoda County District Library  
430 W 8th Street  
Mio, MI 48647

**Opinions**

I have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Oscoda County District Library, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Oscoda County District Library's basic financial statements as listed in the table of contents.

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

**Basis for Opinions**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Oscoda County District Library, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Oscoda County 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.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My 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 my 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, I:

- 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 Oscoda County 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Oscoda County District Library's ability to continue as a going concern for a reasonable period of time.

I am 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 I 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, budgetary comparison information and pension plan schedules 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.



TYLER J. WATTERS, P.C.  
CERTIFIED PUBLIC ACCOUNTANT

**OSCODA COUNTY DISTRICT LIBRARY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2023**

***Using this Annual Report***

Our discussion and analysis of Oscoda County District Library's financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2023. This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Revenue, Expenses, and Changes in Net Position provide information about the activities of the Library and present a longer-term view of the Library's finances.

***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to Oscoda County District Library's basic financial statements. These statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

***Reporting Oscoda County District Library as a Whole***

**Government-Wide Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of Oscoda County District Library's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of Oscoda County District Library's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Oscoda County District Library is improving or deteriorating.

The *Statement of Activities* presents information showing how Oscoda County District 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 only result in cash flows in future fiscal periods.

**Fund Financial Statements.** A fund is a grouping of related accounts and is used to maintain control over resources that have been segregated for specific activities or objectives. Oscoda County District Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Library maintains one governmental fund.

**OSCODA COUNTY DISTRICT LIBRARY  
MANAGEMENT’S DISCUSSION & ANALYSIS (CONTINUED)  
JUNE 30, 2023**

*Governmental Fund.* All of the Library’s basic services are reported in the governmental fund, which focus on how money flows into and out of this fund and the balance left at year-end that is available for spending. This fund is reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statement provides a detailed short-term view of Oscoda County District Library’s general governmental operations and the basic services it provides.

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

The statements mentioned above, report the Library’s net position and how they have changed. The reader can think of the Library’s net position (the difference between assets and liabilities) as one way to measure the Library’s financial health or financial position. Over time, increases or decreases in the Library’s net position are one indicator of whether its financial health is improving or deteriorating, respectively.

***Financial Analysis of Oscoda County District Library as a Whole***

The Oscoda County District Library ended the fiscal year with a total net position of \$773,304. Of that, \$607,328 is unrestricted net position and the remaining \$165,976 is invested in capital assets. The Library has \$511,695 in cash which represents 99% of the total current assets. The Library has no long-term debt as of June 30, 2023.

The net position as of the year ended June 30, 2023, is as follows:

<u><b>Net Position</b></u>	<b>2023</b>
<b>Assets</b>	
Current and Other Assets	\$ 519,131
Net Pension Asset	68,563
Capital Assets	165,976
Total Assets	753,670
<b>Deferred Outflows</b>	49,388
<b>Liabilities</b>	
Current Liabilities	10,418
Total Liabilities	10,418
<b>Deferred Inflows</b>	19,336
<b>Net Position</b>	
Invested in Capital Assets	
Net of Related Debt	165,976
Unrestricted	607,328
Total Net Position	\$ 773,304

**OSCODA COUNTY DISTRICT LIBRARY  
MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)  
JUNE 30, 2023**

The Library's net position increased by \$93,927 for the year ended June 30, 2023. The Library generated total revenue of \$360,805, with \$217,656 being property tax revenue. This represents 60% of the total revenue. The total expenditures for the fiscal year ended June 30, 2023, was \$266,878. The largest expenditure for the Library, salaries and wages, amounted to \$136,210. This represents 43% of the total expenditures.

<u>Changes in Net Position</u>	<u>2023</u>
<b>Program Revenues:</b>	
Charges for Services	\$ 11,985
Operating Grants and Contributions	19,998
Capital Grants and Contributions	-
<b>General Revenues:</b>	
Property Taxes	217,656
State-Shared Revenue	18,369
Penal Fines	74,477
Interest	2,390
Other	15,930
<b>Total Revenue</b>	<u>360,805</u>
<b>Program Expenses</b>	
Recreation and Cultural	<u>266,878</u>
<b>Total Program Expenses</b>	<u>266,878</u>
<b>Income (Loss) before Special Item</b>	93,927
Net Position Transferred from OCL	<u>679,377</u>
<b>Income (Loss) with Special Item</b>	773,304
<b>Net Position - Beginning of Year</b>	<u>-</u>
<b>Net Position - End of Year</b>	<u><u>\$ 773,304</u></u>

***Capital Asset and Debt Administration***

At June 30, 2023, the Oscoda County District Library had \$165,976 invested in capital assets. There was \$5,406 of capital additions during the fiscal year.

	<u>2023</u>
Capital Assets Being Depreciated	
Building and Improvements	\$ 473,353
Technology Equipment	<u>44,446</u>
<b>Total Capital Assets</b>	<u>517,799</u>
<b>Total Accumulated Depreciation</b>	<u>351,823</u>
<b>Total Net Capital Assets</b>	<u><u>\$ 165,976</u></u>

Please refer to the notes of the financial statements for more detailed information.



**OSCODA COUNTY DISTRICT LIBRARY  
MANAGEMENT’S DISCUSSION & ANALYSIS (CONTINUED)  
JUNE 30, 2023**

**MANAGEMENT DISCUSSION AND ANALYSIS**

This discussion and analysis required by GASB Statement No.34 provides an overview of the Oscoda County District Library’s financial performance for the fiscal year, July 1, 2022 - June 30, 2023, and should be read in conjunction with the Library’s financial statements.

**Mission Statement**

The mission of the Oscoda County District Library is to provide residents of Oscoda County with current, up-to-date and accurate information. The library provides residents with the highest quality library services which meet the ever-changing needs for education, recreational, civic, and cultural information, to promote opportunity and encouragement for people of all ages to educate themselves continuously.

**Organization History**

The Oscoda County Library was originally founded in the 1940's by the Ladies of the Mio Study Club and Library Guild. The first library was located in Judge Sell's office. He graciously provided one bookcase for library books, plus it helped his wife was a member of the Mio Study Club and Library Guild. The Library changed over time until 1964 when the Board of Trustees passed a motion to create the Oscoda County Library, a component unit of Oscoda County. On April 29, 2022, the Library separated from the County of Oscoda and was established as a District Library under the District Library Establishment Act, 1989 PA 24, MCL 397.171.

**General Fund Budgetary Highlights**

Fiscal year 2023 saw the formation of the Oscoda County District Library. One of the largest challenges facing the Library was the change in fiscal year. The Library now operates on a July – June fiscal year, instead of a calendar year. That meant not only a change for budgeting and accounting, but also with regard to human resources. Fortunately, the Board, Director and staff remained constant, so it was an easier to navigate change.

The Library Board of Trustees approved a stable operating budget for the 2022-23 fiscal year and staff will continue to seek grants to enhance programming and services. The library started the 2022-23 budget year with a net revenue projection of \$15,012 compared to the actual net revenue over expenditures of \$45,233, excluding the special item of transferred funds from Oscoda County Library. The net revenue increased the fund balance to \$508,713 for the year ended June 30, 2023.

**Economic Factors and Next Year’s Budget**

The Board of Trustees has set the following goals for the 2023-2024 year:

1. Expanding technology services and non-traditional collections
2. Outreach and services to targeted populations
3. Continuous building/facilities improvement
4. Supporting formal education
5. Facilitating life-long learning and creative exploration

**OSCODA COUNTY DISTRICT LIBRARY  
MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)  
JUNE 30, 2023**

The Oscoda County District Library strives to offer the best service possible for the community it serves. Offering programs to enjoy, educational adventures, classes to learn new skills and hobbies, and other activities to stimulate the mind in a fun and creative way. With pleasant staff, an abundance of resources to utilize and programs and activities for everyone there's never a shortage of learning and fun within our doors.

**Contacting the Library's Management**

This financial report is intended to provide the general public with an overview of the Library's finances and accountability for the money received. For any questions about this report or for additional information, please contact:

Amy Knepp, Library Director  
Oscoda County District Library  
430 W 8th Street  
Mio, MI 48647  
Phone: 989-826-3613

**OSCODA COUNTY DISTRICT LIBRARY  
STATEMENT OF NET POSITION  
JUNE 30, 2023**

**Assets**

Current Assets:

Cash and investments	\$ 511,695
Grants Receivable	2,865
Due from state	4,571
Total Current Assets	519,131

Non-Current Assets:

Net Pension Assets	68,563
Capital Assets - Net	165,976
Total Assets	753,670

<b>Deferred Outflows of Resources</b>	49,388
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**Liabilities**

Current Liabilities:

Accounts payable	3,196
Accrued liabilities	7,222
Total Current Liabilities	10,418

Total Liabilities	10,418
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<b>Deferred Inflows of Resources</b>	19,336
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**Net Position**

Invested in Capital Assets, Net of Related Debt	165,976
Unrestricted	607,328
Total Net Position	\$ 773,304

The accompanying notes are an integral part of these financial statements.

**OSCODA COUNTY DISTRICT LIBRARY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023**

<u>Function/Program</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government</b>				
Governmental Activities:				
Recreation & Cultural	\$ 266,878	\$ 11,985	\$ 19,998	\$ (234,895)
<b>General Revenues:</b>				
Property Taxes Levied for:				
Library Operating				217,656
State Shared Revenue				18,369
Penal Fines				74,477
Investment Earnings				2,390
Other				15,930
<b>Special Item:</b>				
Net Position Transferred from Oscoda County Library				679,377
Total General Revenues and Special Items				1,008,199
<b>Change in Net Position</b>				773,304
<b>Net Position - Beginning of Year</b>				-
<b>Net Position - End of the Year</b>				\$ 773,304

The accompanying notes are an integral part of these financial statements.

**OSCODA COUNTY DISTRICT LIBRARY  
COMPARATIVE BALANCE SHEET  
JUNE 30, 2023**

	<b>2023</b>
<b>ASSETS</b>	
Cash and Investments	\$ 511,695
Grants Receivable	2,865
Due from state	4,571
Total Assets	\$ 519,131
 <b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts Payable	\$ 3,196
Accrued liabilities	7,222
Total Liabilities	10,418
Fund Balances:	
Unassigned	508,713
Total Fund Balances	508,713
Total Liabilities and Fund Balances	\$ 519,131

The accompanying notes are an integral part of these financial statements.

**OSCODA COUNTY DISTRICT LIBRARY  
RECONCILIATION OF THE BALANCE SHEET FUND BALANCE TO  
THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2023**

	2023
Total governmental fund balance	\$ 508,713
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets (net) used in governmental activities are not financial resources and therefore are not reported in the library fund.</p>	
Add - capital assets	517,799
Deduct - accumulated depreciation	(351,823)
<p>Long term liabilities are not due and payable in the current period and are not reported in the fund statements.</p>	
Add - Net Pension Asset	68,563
Add - Deferred Outflows of Resources - Pension	49,388
Deduct - Deferred Inflows of Resources - Pension	(19,336)
Net Position of governmental activities	\$ 773,304

The accompanying notes are an integral part of these financial statements.

**OSCODA COUNTY DISTRICT LIBRARY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 2023**

<b>REVENUES</b>	<u><b>2023</b></u>
Property taxes	\$ 217,656
State aid	18,369
Penal fines	74,477
Grants	17,188
Charges for services	3,606
Donations	2,810
Interest	2,390
Other revenue	24,309
<b>Total Revenue</b>	<u>360,805</u>
<b>EXPENDITURES</b>	
Salaries and wages	136,210
Benefits	40,269
Professional services	5,467
Insurance and bonds	5,534
Leases	8,075
Office supplies	12,810
Books and periodicals	22,641
Grants & programs	24,357
Dues and subscriptions	4,610
Utilities	13,111
Repairs and maintenance	20,875
Travel and seminars	741
Contracted services	7,704
Miscellaneous	38
Capital outlay	13,130
<b>Total Expenditures</b>	<u>315,572</u>
<b>EXCESS:</b>	
<b>Revenues Over (Under) Expenditures</b>	45,233
<b>OTHER FINANCING SOURCES (USES)</b>	
<b>Special Item:</b>	
Converted fund balance from County Library	463,480
<b>Total Other Financing Sources (Uses)</b>	<u>463,480</u>
<b>EXCESS:</b>	
<b>Revenue and other financing sources over (under) expenditures and other financing uses</b>	508,713
<b>FUND BALANCE, beginning of year</b>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 508,713</u>

\* This is the first year of operations as a District Library. No comparative financial statements are available.

The accompanying notes are an integral part of these financial statements.

**OSCODA COUNTY DISTRICT LIBRARY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF  
ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023**

	2023
Net Change in fund balances - total governmental funds	\$ 508,713

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

Governmental funds report capital outlays 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.

Add - capital assets additions	5,406
Deduct - depreciation expense	(21,544)

The effect of miscellaneous transactions involving capital assets and pension benefits.

Add - capital assets transferred from County Library	182,114
Add - pension net assets transferred from County Library	33,783

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 the governmental funds.

Add - reduction in pension expense	64,832
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Change in net position of governmental activities	\$ 773,304
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The accompanying notes are an integral part of these financial statements.



**OSCODA COUNTY DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

NOTE A - ENTITY

The Oscoda County District Library was established to maintain and operate a public library for the District. The Oscoda County Library was originally founded in the 1940's by the Ladies of the Mio Study Club and Library Guild. The Library changed over time until 1964 when the Board of Trustees passed a motion to create the Oscoda County Library, a component unit of Oscoda County. On April 29, 2022, the Library separated from the County of Oscoda and was established as a District Library under the District Library Establishment Act, 1989 PA 24, MCL 397.171 with the fiscal year beginning July 1<sup>st</sup> and ending June 30<sup>th</sup>.

The Library operates under the supervision and control of five member Board of Trustees. Three of the trustees are appointed from Oscoda County and two are appointed from Comins Township. All activities over which the Library exercises oversight responsibility have been included in the reporting entity. Oversight responsibility is determined by factors such as financial interdependence, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Oscoda County District Library conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies:

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION**

*Management's Discussion and Analysis* - GASB 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the Library's financial activities in the form of management's discussion and analysis (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

*Government-Wide Financial Statements* - The reporting model includes financial statements prepared using full accrual accounting for all the Library's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. Government-wide financial statements include the following:

*Statement of Net Position* - The statement of net position is designed to display the financial position of the Primary Government (governmental and business-type activities) and the total of its discretely presented component parts. The Library reports capital assets in the government-wide statement of net position and reports depreciation expense - the cost of "using up" capital assets - in the statement of activities. The net position of the Library are broken down into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

*Statement of Activities* - The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the Library's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the Library has recorded capital assets and certain other long-term assets and liabilities in the statement of net position and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities

**OSCODA COUNTY DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

DEFINING THE REPORTING ENTITY

In evaluating how to define the Library, for financial reporting purposes, management has considered all potential component units. The decision to include potential component units in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*. Based upon the application of these criteria, the general purpose financial statements of the Oscoda County District Library contain all the funds and account groups controlled by the Library's Board as no other entity meets the criteria to be considered a blended component unit or a discretely presented component of the Library nor is the Library a component unit of another entity.

BASIS OF PRESENTATION - GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information on the Oscoda County District Library as a whole. There is only one fund reported in the government-wide financial statements.

The Statement of Net Position presents the Library's assets and liabilities with the difference being reported as either invested in capital assets, net of related debt, restricted net position or unrestricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants 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 meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

MEASUREMENT FOCUS/BASIS OF ACCOUNTING – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year of which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Miscellaneous amounts reported as program revenue include: charges to customers for copies or services. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes property taxes, state shared revenues, penal fines, and interest income.

**OSCODA COUNTY DISTRICT LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2023**

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

Separate financial statements are provided for the operating fund (governmental fund). The operating fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

MEASUREMENT FOCUS/BASIS OF ACCOUNTING – FUND FINANCIAL STATEMENTS

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the government 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 and claims and judgments, are recorded only when payment is due.

DEPOSITS AND INVESTMENTS

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from date of acquisition.

State statutes authorize the Library to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services. The Library is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

USE OF ESTIMATES

The process of preparing financial statements in conformity with generally accepted accounting principles, requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**OSCODA COUNTY DISTRICT LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2023**

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY TAXES

Property taxes levied by the Library are collected by various municipalities and periodically remitted to the Library. The taxes are levied as of December 1, and are due upon receipt of the billing by the taxpayer. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. Property tax revenues are recognized when levied. For the year ended June 30, 2023, the District levied the following amounts per \$1,000 of assessed valuation for Library operations:

	<u>Mils</u>
Public Library	.5

BUDGETS AND BUDGETARY ACCOUNTING

1. Prior to June 1, the Board proposed an operating budget for the fiscal year commencing the following July 1.
2. Prior to July 1, the budget was adopted by Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates.

Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the budgeting act are disclosed as unfavorable variances on the combined statements of revenues, expenditures, and changes in fund balances - budget and actual.

3. Any revisions that alter the total expenditures of any function must be approved by the Board.

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. The library has items that qualify for reporting in this category related to the net pension liability which is discussed in Note D. The library has no other items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods(s) and so will not be recognized as an inflow of resources (revenue) until that time. The library has items that qualify for reporting in this category related to the net pension liability which is discussed in Note D. The library has no other items that qualify for reporting in this category.

**OSCODA COUNTY DISTRICT LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2023**

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS AND DEPRECIATION

The Library's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Library generally capitalizes assets with historical cost of \$1,500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Computers and peripherals	1-3 years
Office furniture	5-20 years
Buildings and improvements	25-40 years
Land improvements	10-20 years
Machinery and equipment	5-10 years

Land and construction in progress are not depreciated.

FUND BALANCE

Fund Balance is essentially the difference between the assets and liabilities reported in a governmental fund. There are five separate components of fund balance, each of which identifies the extent to which the Library is bound to honor constraints on the specific purpose for which amounts can be spent.

1. Non-spendable fund balance (inherently non-spendable)
2. Restricted fund balance (externally enforceable limitations on use)
3. Committed fund balance (self-imposed limitations on use)
4. Assigned fund balance (limitation resulting from intended use)
5. Unassigned fund balance (the residual classification of the general fund)

As a general rule, when multiple categories of fund balance are available for expenditure, the Library will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

PENSIONS

For purposes of measuring the Net Pension Asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**OSCODA COUNTY DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**

NOTE C - CASH AND INVESTMENTS

At June 30, 2023 the book value of the Library's deposits, consisting primarily of interest bearing savings and checking accounts, were \$511,695 and the bank balances were \$513,086. Of the bank balances, 93% was covered by Federal Depository Insurance.

Checking and Savings \$ 511,695

The Government Accounting Standards Board Statement No. 3 risk disclosures for the Library's cash deposits are as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 479,569	\$ 479,569
Uninsured and Uncollateralized	32,126	33,517
Total Deposits	\$ 511,695	\$ 513,086

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counter party (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Library's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Interest Rate Risk

The Library has not adopted a policy that indicates how 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 limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Concentration of Credit Risk

The Library has not adopted a policy that indicates how 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.

**OSCODA COUNTY DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**

NOTE D - PENSION PLAN

**Defined Benefit Plan**

***Plan Description***

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

***Benefits Provided***

<b>07 - Lib Director: Closed to new hires</b>	
	<u><b>2022 Valuation</b></u>
<b>Benefit Multiplier:</b>	Frozen Benefit as of 4/20/2022
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	10 years
<b>Early Retirement (Unreduced):</b>	-
<b>Early Retirement (Reduced):</b>	50/25 55/15
<b>Final Average Compensation:</b>	5 years
<b>Employee Contributions:</b>	0.00%
<b>Act 88:</b>	No

Membership of the defined benefit plan consisted of the following at the date of the latest actuarial valuation (December 31, 2022):

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

***Contributions***

The Library is required to contribute amounts at least equal to the Actuarially determined rate, as established by the MERS Retirement Board. The Actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Library was not required to make employer contributions in 2022.

**OSCODA COUNTY DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**

NOTE D - PENSION PLAN (CONTINUED)

***Net Pension Liability***

The employer's Net Pension Liability was measured as of December 31, 2022, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

***Actuarial Assumptions***

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

Inflation: 2.50%

Salary Increases: 3.00% in the long-term

Investment rate of return: 7.00%, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the RP-2018 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study of 2021.

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

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return	Expected Nominal Return Asset Class	Expected Real Return Asset Class
Global Equity	60.0%	7.00%	2.50%	4.50%	4.20%	2.70%
Global Fixed Income	20.0%	4.50%	2.50%	2.00%	0.90%	0.40%
Private Investments	20.0%	9.50%	2.50%	7.00%	1.90%	1.40%
Total	100.0%	7.00%	2.50%	4.50%	7.00%	4.50%

**Discount rate.** The discount rate used to measure the total pension liability is 7.25% for 2022. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



**OSCODA COUNTY DISTRICT LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2023**

NOTE D - PENSION PLAN (CONTINUED)

**Changes in the Net Pension Liability**

	Increase (Decrease)		
	Plan		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2021	\$ -	\$ -	\$ -
Changes for the Year:			
Service Cost	4,270	-	4,270
Interest	13,482	-	13,482
Changes in benefits	(74,460)	-	(74,460)
Differences between expected and actual exp	(7,153)	-	(7,153)
Change in assumptions	-	-	-
Contributions: employer	-	-	-
Contributions: employees	-	486	(486)
Net investment income	-	(21,911)	21,911
Benefit payments, including refunds	-	-	-
Administrative expense	-	(392)	392
Other changes	183,830	210,349	(26,519)
Net Changes	119,969	188,532	(68,563)
Balance at 12/31/2022	\$ 119,969	\$ 188,532	\$ (68,563)

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

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

	1% Decrease	Current Discount Rate	1% Increase
Total Pension Liability	\$ 141,621	\$ 119,969	\$ 102,298
Fiduciary Net Position	188,532	188,532	188,532
Net Pension Liability	\$ (46,911)	\$ (68,563)	\$ (86,234)

**OSCODA COUNTY DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**

NOTE D - PENSION PLAN (CONTINUED)

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

For the year ended June 30, 2023, the employer recognized pension expense of \$(64,832). The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ 1,606	\$ 6,664
Differences in assumptions	18,050	-
Excess (deficit) investment returns	29,732	12,672
Total	\$ 49,388	\$ 19,336

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

2023	\$	3,667
2024		5,413
2025		7,219
2026		9,657
2027		2,228
2028		2,274
2029		390
2030		(793)
Total	\$	30,055

NOTE E - RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries and natural disasters. The Library has purchased commercial insurance for risks of loss. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage since the inception of the District Library.

NOTE F - INEXHAUSTIBLE COLLECTIONS AND BOOKS

Because the values of the existing inexhaustible collections, including research books, are not readily determinable, the Library has not capitalized them. Books used in the circulating library have not been capitalized because their estimated useful lives are less than one year.

**OSCODA COUNTY DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**

**NOTE G - FUND BALANCE CLASSIFICATIONS**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Oscoda County District Library is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

1. Non-spendable fund balance (inherently non-spendable)
2. Restricted fund balance (externally enforceable limitations on use)
3. Committed fund balance (self-imposed limitations on use)
4. Assigned fund balance (limitation resulting from intended use)
5. Unassigned fund balance (the residual classification of the general fund)

As a general rule, when multiple categories of fund balance are available for expenditure, the Library will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

**NOTE H - CAPITAL ASSETS**

The following is a summary of changes in the Capital Assets Account Group.

	<b>Balance 7/1/2022</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 6/30/2023</b>
Capital Assets Being Depreciated:				
Building Improvements	\$ -	\$ 473,353	\$ -	\$ 473,353
Furniture & Equipment	-	44,446	-	44,446
Total	-	517,799	-	517,799
Less Accumulated Depreciation:				
Buildings Improvements	-	326,724	-	326,724
Furniture & Equipment	-	25,099	-	25,099
Total	-	351,823	-	351,823
Total Net Capital Assets	<u>\$ -</u>	<u>\$ 165,976</u>	<u>\$ -</u>	<u>\$ 165,976</u>

\*\*\* The current year additions include net capital assets transferred from the County Library to the District Library. Total assets transferred were \$512,392 with associated accumulated depreciation of \$330,278.

**NOTE I – GRANTS RECEIVABLE**

Grants receivable consisted of \$2,865 due from Northland Library Cooperative for expenditures related to the Library Enhancement Grant.

**OSCODA COUNTY DISTRICT LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2023**

NOTE J – DUE FROM STATE

Due from state consisted of \$4,571 of withholding tax overpayments.

NOTE K – SPECIAL ITEM

Fund Financial Statements:

As part of the Library’s change from a County Library to a District Library, all the assets, liabilities and fund balance from the Oscoda County Library were transferred to the Oscoda County District Library on July 1st, 2023. The total fund balance transferred was \$463,480, which consisted of \$487,411 of assets and \$23,931 of liabilities.

Government-Wide Financial Statements:

All the assets, deferred outflows, liabilities, deferred inflows, and net position from the Oscoda County Library were transferred to the Oscoda County District Library on July 1st, 2023, as stated below.

Current Assets	487,411
Net Pension Assets	26,519
Capital Assets (net of depreciation)	182,114
Deferred Outflows of Resources	26,290
Total Liabilities	23,931
Deferred Inflows of Resources	19,026
Invested in Capital Assets, Net of Related Debt	182,114
Unrestricted Net Position	497,263

NOTE L - EXCESS EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2023, the Library incurred total expenditures in excess of total appropriations by \$33,184. The items with excess spending are as follows:

Fund/Function	Total Appropriations	Amount of Expenditures	Budget Variance
Salaries and wages	\$ 134,976	\$ 136,210	\$ (1,234)
Benefits	39,710	40,269	(559)
Professional services	4,000	5,467	(1,467)
Insurance and bonds	4,500	5,534	(1,034)
Leases	6,000	8,075	(2,075)
Office supplies	11,200	12,810	(1,610)
Grants & programs	17,902	24,357	(6,455)
Dues and subscriptions	3,600	4,610	(1,010)
Repairs and maintenance	11,100	20,875	(9,775)
Travel and seminars	500	741	(241)
Contracted services	6,700	7,704	(1,004)
Capital outlay	500	13,130	(12,630)

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**OSCODA COUNTY DISTRICT LIBRARY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED JUNE 30, 2023**

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>				
Property taxes	\$ 200,000	\$ 200,000	\$ 217,656	\$ 17,656
State aid	10,600	10,600	18,369	7,769
Penal fines	75,000	75,000	74,477	(523)
Grants	7,000	7,000	17,188	10,188
Charges for services	3,500	3,500	3,606	106
Donations	500	500	2,810	2,310
Interest	300	300	2,390	2,090
Other revenue	500	500	24,309	23,809
<b>Total Revenues</b>	<u>297,400</u>	<u>297,400</u>	<u>360,805</u>	<u>63,405</u>
<b>EXPENDITURES:</b>				
Salaries and wages	134,976	134,976	136,210	(1,234)
Benefits	39,710	39,710	40,269	(559)
Professional services	4,000	4,000	5,467	(1,467)
Insurance and bonds	4,500	4,500	5,534	(1,034)
Leases	6,000	6,000	8,075	(2,075)
Office supplies	11,200	11,200	12,810	(1,610)
Books and periodicals	23,000	23,000	22,641	359
Grants & programs	17,902	17,902	24,357	(6,455)
Dues and subscriptions	3,600	3,600	4,610	(1,010)
Utilities	16,700	16,700	13,111	3,589
Repairs and maintenance	11,100	11,100	20,875	(9,775)
Travel and seminars	500	500	741	(241)
Contracted services	6,700	6,700	7,704	(1,004)
Miscellaneous	2,000	2,000	38	1,962
Capital outlay	500	500	13,130	(12,630)
<b>Total Expenditures</b>	<u>282,388</u>	<u>282,388</u>	<u>315,572</u>	<u>(33,184)</u>
<b>EXCESS:</b>				
<b>Revenues Over (Under)</b>				
<b>Expenditures</b>	15,012	15,012	45,233	30,221
<b>OTHER FINANCING SOURCES (USES)</b>				
<b>Special Item:</b>				
Converted fund balance from County Library	-	-	463,480	(463,480)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>463,480</u>	<u>(463,480)</u>
<b>EXCESS:</b>				
<b>Revenue and other financing sources</b>				
<b>over (under) expenditures and</b>				
<b>other financing uses</b>	15,012	15,012	508,713	(433,259)
<b>FUND BALANCE, beginning of year</b>	-	-	-	-
<b>FUND BALANCE, end of year</b>	<u>\$ 15,012</u>	<u>\$ 15,012</u>	<u>\$ 508,713</u>	<u>\$ (433,259)</u>

**OSCODA COUNTY DISTRICT LIBRARY  
SCHEDULE OF CHANGES IN THE LIBRARY'S NET PENSION  
LIABILITY (ASSET) AND RELATED RATIOS  
YEAR ENDED JUNE 30, 2023**

	<b>Calendar Year</b>
	<b>2022</b>
Service cost	\$ 4,270
Interest on total pension liability	13,482
Changes in benefit terms	(74,460)
Difference between expected and actual experience	(7,153)
Changes in assumptions	-
Benefit payments including employee refunds	-
Other changes	183,830
<b>Net change in total pension liability</b>	<b>119,969</b>
<b>Total pension liability - beginning</b>	<b>-</b>
<b>Total pension liability - ending</b>	<b>\$ 119,969</b>
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ -
Contributions - employee	486
Net investment income	(21,911)
Benefit payments, including employee refunds	-
Administrative expenses	(392)
Other changes	210,349
<b>Net change in plan fiduciary net position</b>	<b>188,532</b>
<b>Total plan fiduciary net position - beginning</b>	<b>-</b>
<b>Total plan fiduciary net position - ending</b>	<b>\$ 188,532</b>
<b>Library's net pension liability</b>	<b>\$ (68,563)</b>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	 <b>157.15%</b>
<b>Covered employee payroll</b>	<b>\$ 45,180</b>
<b>Library's net position liability as a percentage of covered payroll</b>	<b>-152%</b>

Notes to schedule:

The schedule is based on a calendar year measurement date.

This is the first year of operations as a District Library. Prior years MERS data is unavailable.

**OSCODA COUNTY DISTRICT LIBRARY  
SCHEDULE OF LIBRARY PENSION CONTRIBUTIONS  
YEAR ENDED JUNE 30, 2023**

	<b>Calendar Year</b>
	<b>2022</b>
Actuarially determined contribution	\$ -
Contributions in relation to the actuarially determined contribution	-
Contribution excess (deficiency)	\$ -
 Covered-employee payroll	 \$ 45,180
 Actuarially determined contributions as a percentage of covered-employee payroll	 0.00%

**Notes to Schedule**

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

This is the first year of operations as a District Library. Prior years MERS data is unavailable.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	0 years
Asset valuation method	5-year smoothed marked
Inflation	2.25%
Salary increases	3.00%
Investment rate of return	7.00%, net of pension plan investment expense including inflation





## Tyler J. Watters, P.C.

Certified Public Accountant

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Phone: (517) 285-7295 • E-mail: tyler@watterscpa.com

### COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

October 18, 2023

Board of Directors  
Oscoda County District Library  
430 W 8th Street  
Mio, MI 48647

I have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Oscoda County District Library for the year ended June 30, 2023. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated September 13, 2023. Professional standards also require that I communicate to you the following information related to my audit.

#### Significant Audit Matters

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Oscoda County District Library are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2022-2023. I noted no transactions entered into by the Library during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the accumulated depreciation and depreciation expense is based on historical cost and estimated useful life. I evaluated the key factors and assumptions used to develop the accumulated depreciation and depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the amounts, required contributions and other items for pension liabilities were based on various assumptions regarding life expectancies, inflation, premium increases, and investment rates.
- 

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

*Difficulties Encountered in Performing the Audit*

I encountered no significant difficulties in dealing with management in performing and completing my audit.

*Corrected and Uncorrected Misstatements*

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

*Management Representations*

I have requested certain representations from management that are included in the management representation letter dated October 18, 2023.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

During the course of my audit of the basic financial statements of Oscoda County District Library for year ended June 30, 2023, I noted the following items which I believe should be brought to your attention:

**Bank Reconciliations:**

Bank reconciliations were not prepared for one of the bank accounts throughout the year. Based on conversations with the Library Director, there were difficulties converting the prior County Library QuickBooks to the new District Library QuickBooks. I recommend that the bank reconciliations be done by the Director each month within 15 days of the month end and the Treasurer review it subsequently. This would include signing and dating the report to take responsibility for its accuracy.

**Payroll:**

The employer Medicare tax expense is incorrectly mapped to the general ledger wage expense account. I recommend that the QuickBooks payroll item mapping be updated to ensure the payroll tax expense is properly mapped to the general ledger. This is a one-time settings fix due to the fact that QuickBooks auto-records the payroll entries.

**Budget Law:**

Public Act 621 of 1978, section 18 (1), as amended, provides that a district library shall not incur expenditures in excess of amounts appropriated. As presented in the financial statements for the year ended June 30, 2023, the Library incurred expenditures which were in excess of the amounts appropriated as follows:

<u>Fund/Function</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
Salaries and wages	\$ 134,976	\$ 136,210	\$ (1,234)
Benefits	39,710	40,269	(559)
Professional services	4,000	5,467	(1,467)
Insurance and bonds	4,500	5,534	(1,034)
Leases	6,000	8,075	(2,075)
Office supplies	11,200	12,810	(1,610)
Grants & programs	17,902	24,357	(6,455)
Dues and subscriptions	3,600	4,610	(1,010)
Repairs and maintenance	11,100	20,875	(9,775)
Travel and seminars	500	741	(241)
Contracted services	6,700	7,704	(1,004)
Capital outlay	500	13,130	(12,630)

Other Matters

I applied certain limited procedures to the Budgetary Comparison Schedules and pension schedules, which are required supplementary information (RSI) that supplements the basic financial statements. My procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statement. I 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 of Directors and management of the Oscoda County District Library and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Tyler Watters CPA". The signature is written in a cursive style with a horizontal line through the middle of the name.

Tyler J. Watters, P.C.  
Certified Public Accountant