



**Financial Report
With Supplemental Information
November 30, 2020**

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Independent Auditor's Report

To the Board of Trustees
Saline District Library

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund information of Saline District Library (the "Library") as of and for the year ended November 30, 2020 and the related notes to the financial statements, which collectively comprise Saline District Library's basic financial statements, as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 General Fund information of Saline District Library as of November 30, 2020 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Saline District Library

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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.

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Library's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.



February 9, 2021

This discussion and analysis of Saline District Library's (the "Library") financial performance provides an overview of the Library's financial activities for the fiscal year ended November 30, 2020. Please read it in conjunction with the Library's financial statements.

Using This Annual Report

The General Fund is presented on the modified accrual basis of accounting, which is a short-term view that tells us how the taxpayers' resources were spent during the year and how much is available for future spending. This information is then adjusted to the full accrual basis to present a longer-term view of the Library as a whole. This longer-term view uses the full accrual basis of accounting so that it can measure the true cost of providing services during the current year and whether the taxpayers have funded the full cost of providing library services.

The General Fund modified accrual basis financial statements provide detailed information about the Library's current financial resources. This information is important, as it demonstrates compliance with various state laws and shows the stewardship of the Library's annual property tax and other revenue.

The Library's full accrual basis financial statements present information about the Library's total economic resources, including long-lived assets and long-term obligations. This information is important, as it recognizes the long-term ramifications of decisions made by the Library on an ongoing basis.

Condensed Financial Information (Full Accrual Basis)

The following table shows key financial information in a condensed format:

The Library's Net Position

	2019	2020
Assets		
Current and other assets:		
Cash and investments:		
Cash and cash equivalents	\$ 230,546	\$ 133,882
Investments	6,744,126	7,591,068
Prepays and other assets	26,299	45,015
Capital assets	4,910,250	4,673,145
Total assets	11,911,221	12,443,110
Liabilities		
Current liabilities:		
Accounts payable	10,368	14,684
Other current liabilities	31,362	36,293
Compensated absences:		
Due within one year	28,824	44,533
Due in more than one year	5,087	7,859
Total liabilities	75,641	103,369
Net Position		
Net investment in capital assets	4,910,250	4,673,145
Unrestricted	6,925,330	7,666,596
Total net position	\$ 11,835,580	\$ 12,339,741

Saline District Library

Management's Discussion and Analysis (Continued)

The Library's Changes in Net Position

	2019	2020
Revenue		
Property taxes	\$ 2,040,086	\$ 2,145,583
Other revenue	583,850	512,208
Total revenue	2,623,936	2,657,791
Expenses - Library services	2,167,725	2,153,630
Change in Net Position	456,211	504,161
Net Position - Beginning of year	11,379,369	11,835,580
Net Position - End of year	<u>\$ 11,835,580</u>	<u>\$ 12,339,741</u>

Full Accrual Analysis

The full accrual statement of activities shows an increase in net position of approximately \$500,000. This reflects a \$33,855 increase in revenue and a \$14,095 decrease in expenditures from the previous year. Overall, the largest increase in revenue was noted in property taxes.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations - totaled \$7,666,596. Unrestricted net position increased during the year by \$741,266.

Modified Accrual Analysis

The General Fund pays for all of the Library's services. The most significant expenses are personnel and related staffing expenses of over \$1.2 million. Library services of \$350,831 include collection purchases, programs, and internet access. The remaining categories are facilities and equipment of \$225,738 and other administrative, which includes professional services, supplies, and other expenditures. Fund balance in the General Fund increased by \$759,747 in fiscal year 2019-2020.

Budgetary Highlights

As required by State of Michigan law, the Library amended the budget to take into account events during the year.

Operating income was higher than the budgeted amounts by approximately \$302,000.

Due to the COVID-19 pandemic, the library building was closed to the public for approximately three months, so facilities expenditures during that time were somewhat lower than originally planned. Some projects that were put on hold also contributed to lower expenditures, particularly in the area of professional services. However, some other categories, such as collections, required higher expenditures to meet the changing needs of the public.

In the current year, investment earnings were higher than budgeted amounts by \$236,283 due to the improved market situation.

Traditionally, fund increases are placed into designated accounts, such as building improvement, equipment repair and replacement, technology, and contingencies (see Note 8 to the financial statements). In 2011, the Parking Lot Fund was created to maintain the two library lots and the Library-Brecon Trail. In 2012, the Future Debt Service Fund was established to accumulate moneys for the early retirement of the 2007 building bonds, which were paid off in 2017. During 2014, the board created an Arts Fund, funded by DuPont payments, which exceeded the cost to replace trees damaged by the herbicide Imprelis™.

Capital Assets

At the end of 2020, the Library had approximately \$4,673,000 invested in a broad range of capital assets, including buildings, collections, furniture, and equipment (see Note 3 to the financial statements).

Economic Factors and Next Year's Budgets

The Library does not anticipate that library operations or obligations will be negatively impacted by the economy in fiscal year 2020-2021. Tax revenue, which is the Library's major source of income, is expected to be maintained.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Library's finances and to show 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 director, Mary Ellen Mulcrone, at (734) 429-5450.

Saline District Library

Statement of Net Position/Governmental Fund Balance Sheet

November 30, 2020

	Modified Accrual Basis		
	General Fund	Adjustments (Note 7)	Statement of Net Position
Assets			
Cash and cash equivalents (Note 2)	\$ 133,882	\$ -	\$ 133,882
Investments (Note 2)	7,591,068	-	7,591,068
Prepaid expenses and other assets	45,015	-	45,015
Capital assets: (Note 3)			
Assets not subject to depreciation	-	306,783	306,783
Assets subject to depreciation - Net	-	4,366,362	4,366,362
Total assets	<u><u>\$ 7,769,965</u></u>	4,673,145	12,443,110
Liabilities			
Accounts payable	\$ 14,684	-	14,684
Accrued liabilities and other	36,293	-	36,293
Noncurrent liabilities - Accumulated employee benefits: (Note 4)			
Due within one year	-	44,533	44,533
Due in more than one year	-	7,859	7,859
Total liabilities	50,977	52,392	103,369
Equity			
Fund balance:			
Nonspendable - Prepaids	45,015	(45,015)	-
Assigned (Note 8)	7,389,266	(7,389,266)	-
Unassigned	284,707	(284,707)	-
Total fund balance	7,718,988	(7,718,988)	-
Total liabilities and equity	<u><u>\$ 7,769,965</u></u>		
Net position:			
Net investment in capital assets		4,673,145	4,673,145
Unrestricted		7,666,596	7,666,596
Total net position		<u><u>\$ 12,339,741</u></u>	<u><u>\$ 12,339,741</u></u>

Saline District Library

Statement of Activities/Governmental Fund Revenue, Expenditures, and Changes in Fund Balance

Year Ended November 30, 2020

	Modified Accrual Basis	Adjustments (Note 7)	Statement of Activities
	General Fund		
Revenue			
Property taxes	\$ 2,145,583	\$ -	\$ 2,145,583
State sources	99,169	-	99,169
Other sources:			
Miscellaneous	28	-	28
State aid - Books	21,116	-	21,116
Fines and fees	13,394	-	13,394
Penal fines	26,859	-	26,859
Library services	2,463	-	2,463
Donations	31,756	-	31,756
Investment income	317,423	-	317,423
Total revenue	2,657,791	-	2,657,791
Expenditures/Expenses			
Personnel	1,235,781	18,481	1,254,262
Library services	350,831	(229,075)	121,756
Facilities and equipment	225,738	(20,054)	205,684
Depreciation	-	486,234	486,234
Other administrative	85,694	-	85,694
Total expenditures/expenses	1,898,044	255,586	2,153,630
Net Change in Fund Balance/Net Position	759,747	(255,586)	504,161
Fund Balance/Net Position - Beginning of year	6,959,241	4,876,339	11,835,580
Fund Balance/Net Position - End of year	\$ 7,718,988	\$ 4,620,753	\$ 12,339,741

Note 1 - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by Saline District Library (the "Library"):

Reporting Entity

Saline District Library is governed by an appointed seven-member board of trustees. The City Council of the City of Saline, Michigan appoints four members, and the Board of Education of the Saline Area Schools appoints three members. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements.

Accounting and Reporting Principles

The Library follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The individual fund column presents the activity on the modified accrual basis of accounting, as discussed above, which demonstrates accountability for how the current resources have been spent. The government-wide column is presented on the economic resources measurement focus and the full accrual basis of accounting in order to measure the cost of providing library services and the extent to which constituents have paid the full cost of these services.

On the full 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Basis of Accounting

The governmental fund uses the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the Library has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Library considers amounts collected within 60 days of year end to be available for recognition. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Specific Balances and Transactions

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value, based on quoted market prices.

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include buildings, improvements, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Library books, CDs, and audio and visual discs, which compose the Library's collection, are recorded as assets using various estimating techniques. Because of their nature and relevance to the Library's operations, they are capitalized despite individually being below the \$1,000 capitalization threshold.

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided using the straight-line method over the following useful lives:

Capital Asset Class	Lives (Years)
Buildings and support systems	20-50
Equipment and furniture	5-10
Interiors and shelving	20
Improvements	10-50
Collections	3-9

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

Net Position Flow Assumption

The Library will sometimes fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of the governmental fund is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Library itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

Property Tax Revenue

Saline District Library's borders encompass the City of Saline, Michigan and portions of Saline Township, York Township, Lodi Township, Pittsfield Township, Freedom Township, and Bridgewater Township. Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed by the municipalities.

The Library's 2019 tax was levied and collectible on December 1, 2019 and was recognized as revenue in the year ended November 30, 2020 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2019 taxable valuation of the Library totaled \$1.840 billion, on which taxes levied consisted of 1.1682 mills for operating purposes. This resulted in revenue of approximately \$2,146,000. This amount is recognized in the respective General Fund financial statements as tax revenue.

Compensated Absences (Vacation Leave)

It is the Library's policy to permit employees to accumulate earned but unused vacation pay benefits. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for this amount is reported in the governmental fund only for employee terminations as of year end.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Library is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the Library's financial statements for the year ended November 30, 2020 but were extended to November 30, 2021 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

Note 1 - Summary of Significant Accounting Policies (Continued)

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Library is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the Library's financial statements for the year ending November 30, 2021 but were extended to November 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The Library is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all of the authorized investment vehicles listed above. The investment policy for the board-designated endowment fund and restricted funds adopted by the board has authorized investments in accordance with the Uniform Prudent Management of Institutional Funds Act, Public Act 87 of 2009. The Library's deposits and investment policies are in accordance with statutory authority.

The Library's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. At year end, the Library had no bank deposits (checking accounts) that were uninsured and uncollateralized. The Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Library's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity.

November 30, 2020

Note 2 - Deposits and Investments (Continued)

At year end, the average maturities of investments are as follows:

Type of Investment	Fair Value	Weighted-average Maturity
U.S. Treasury securities	\$ 5,550,014	7.08
U.S. government agency securities	1,105,999	7.01
Fixed-income mutual funds	289,297	N/A
Total	<u>\$ 6,945,310</u>	

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Library has no investment policy that would further limit its investment choices. As of November 30, 2020, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Type of Investment	Fair Value	Rating	Rating Organization
U.S. government agency securities	\$ 1,105,999	AA+	S&P
Money market	282,042	AA+	S&P
Fixed-income mutual funds	289,297	Not rated	N/A
Total	<u>\$ 1,677,338</u>		

Concentration of Credit Risk

The Library places no limit on the amount it may invest in any one issuer.

The classification of investment income per the statement of activities/governmental fund revenue, expenditures, and changes in fund balance is as follows:

Investment Income	Amount
General checking	\$ 283
Certificates of deposit	8,030
Agency	147,242
Subagency	161,868
Total investment income	<u>\$ 317,423</u>

November 30, 2020

Note 3 - Capital Assets

Capital asset activity of the Library's governmental activities was as follows:

Governmental Activities

	Balance December 1, 2019	Reclassifications	Additions	Disposals	Balance November 30, 2020
Capital assets not being depreciated:					
Land	\$ 283,660	\$ -	\$ -	\$ -	\$ 283,660
Other nondepreciable assets	23,123	-	-	-	23,123
Subtotal	306,783	-	-	-	306,783
Capital assets being depreciated:					
Buildings and support systems	2,360,121	-	-	-	2,360,121
Equipment	493,146	-	13,249	(32,948)	473,447
Furniture	470,822	-	-	-	470,822
Improvements	6,488,315	-	-	-	6,488,315
Shelving	277,148	-	6,955	-	284,103
Collections - Library books, CDs, and audio/visual	1,875,397	-	229,075	(51,489)	2,052,983
Subtotal	11,964,949	-	249,279	(84,437)	12,129,791
Accumulated depreciation:					
Buildings and support systems	1,438,041	-	38,420	-	1,476,461
Equipment	375,215	-	37,886	(32,798)	380,303
Furniture	439,631	-	4,890	-	444,521
Improvements	3,395,077	-	199,146	-	3,594,223
Shelving	204,431	-	9,287	-	213,718
Collections - Library books, CDs, and audio/visual	1,509,087	-	196,605	(51,489)	1,654,203
Subtotal	7,361,482	-	486,234	(84,287)	7,763,429
Net capital assets being depreciated	4,603,467	-	(236,955)	(150)	4,366,362
Net capital assets	\$ 4,910,250	\$ -	\$ (236,955)	\$ (150)	\$ 4,673,145

Note 4 - Compensated Absences

Compensated absences activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Compensated absences	\$ 33,911	\$ 47,305	\$ (28,824)	\$ 52,392	\$ 44,533

Compensated absences represent the estimated liability to be paid to employees under the Library's vacation pay policy. Under the Library's policy, employees earn vacation time based on time of service with the Library.

Note 5 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for all such claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 6 - Defined Contribution Pension Plan

The Library provides pension benefits through a defined contribution plan, created in accordance with Internal Revenue Code (IRC) Section 414(h), to all of its employees who work at least 20 hours per week on a regularly scheduled basis and who are not covered by a collective bargaining agreement. The plan is administered by Municipal Employees' Retirement System. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible and required to participate after one year of service. As established by the trust, both the Library and the employees contribute 5 percent of gross earnings, which resulted in employer and employee contributions of \$41,792 each. The Library's contributions for each employee (plus interest allocated to the employee's account) are fully vested after five years of service.

Note 7 - Reconciliation of Individual Fund Columns of the Statement of Net Position/Statement of Activities

Total fund balance and the net change in fund balance of the Library's General Fund differ from net position and change in net position of the governmental activities reported in the statement of net position and statement of activities. This difference results primarily from the long-term economic focus of the statement of net position and statement of activities versus the current financial resources focus of the General Fund balance sheet and statement of revenue, expenditures, and changes in fund balance. The following is a reconciliation of fund balance to net position and the net change in fund balance to the change in net position:

Total Fund Balance	\$ 7,718,988
Amounts reported in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	4,673,145
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	<u>(52,392)</u>
Net Position of Governmental Activities	<u><u>\$ 12,339,741</u></u>

November 30, 2020

Note 7 - Reconciliation of Individual Fund Columns of the Statement of Net Position/Statement of Activities (Continued)

The change in net position reported in the statement of activities column is different than the change in fund balance reported in the individual fund column because of the different measurement focus and basis of accounting, as discussed in Note 1. Below is a reconciliation of the differences:

Net Change in Fund Balance	\$ 759,747
Amounts reported in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	249,279
Depreciation expense	(486,234)
Net book value of assets disposed of	(150)
Change in accrual for long-term compensated absences is recorded when earned in the statement of activities, but not in the fund statements	<u>(18,481)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 504,161</u></u>

Note 8 - Assigned Fund Balance

Assigned:	
Quasi endowment	\$ 3,075,000
Building improvement	1,000,000
Equipment purchases	400,000
Internet and technology	500,000
Compensated absences	50,000
Parking lot	200,000
Library development	1,436,597
Art Fund	77,669
Future operating	<u>650,000</u>
Total assigned fund balance	<u><u>\$ 7,389,266</u></u>

The amount assigned for quasi endowment is not nonspendable or restricted, as defined by GASB Statement No. 54. It is the intent of the Library to maintain this balance and use the investment earnings generated by it to finance future projects.

Note 9 - Fair Value Measurements

The Library categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Library’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Note 9 - Fair Value Measurements (Continued)

The Library has the following recurring fair value measurements as of November 30, 2020:

- U.S. Treasury securities of \$5,550,014 are valued using quoted market prices (Level 1 inputs).
- U.S. government agency securities of \$1,105,999 are valued using quoted market prices (Level 1 inputs).
- Fixed-income mutual funds of \$289,297 are valued using quoted market prices (Level 1 inputs).

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Note 10 - Tax Abatements

There are no significant abatements to the Library in relation to its tax revenue.

Required Supplemental Information

Saline District Library

**Required Supplemental Information
Budgetary Comparison Schedule - General Fund**

Year Ended November 30, 2020

	Originally Adopted Budget	Final Amended Budget	Actual Balance	Variance with Final Amended Budget
Operating Revenue				
Property taxes - Operating	\$ 2,085,300	\$ 2,145,402	\$ 2,145,583	\$ 181
State aid - PPT reimbursement	99,100	99,169	99,169	-
Other sources:				
State aid - Books	20,900	21,116	21,116	-
Fines and fees	29,000	12,846	13,394	548
Penal fines	32,000	26,854	26,859	5
Miscellaneous	200	23	28	5
Library services	7,500	2,450	2,463	13
Donations	33,000	32,000	31,756	(244)
Investment earnings - Endowment	59,000	60,000	250,334	190,334
Investment earnings - Trust	3,000	21,140	67,089	45,949
Total operating revenue	2,369,000	2,421,000	2,657,791	236,791
Operating Expenditures				
Personnel	1,320,000	1,241,000	1,235,781	5,219
Library services	413,000	367,000	350,831	16,169
Facilities and equipment	493,000	270,200	225,738	44,462
Endowment administrative charges	-	-	11,159	(11,159)
Other operating expenditures	143,000	84,800	74,535	10,265
Total operating expenditures	2,369,000	1,963,000	1,898,044	64,956
Change in Fund Balance - Excess of revenue over expenditures	-	458,000	759,747	301,747
Fund Balance - Beginning of year	6,959,241	6,595,241	6,959,241	364,000
Fund Balance - End of year	<u>\$ 6,959,241</u>	<u>\$ 7,053,241</u>	<u>\$ 7,718,988</u>	<u>\$ 665,747</u>

November 30, 2020

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund except that investment earnings from various sources and administrative charges related to the Shrandt Endowment account have been included as nonoperating revenue/expenditures. All annual appropriations lapse at fiscal year end.

The annual budget is prepared by the Library's management and adopted by the library board; subsequent amendments are approved by the library board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at November 30, 2020 has not been calculated.

The budget process is initiated in August for the following fiscal year by the department heads and the library director. They forecast the financial implications for the upcoming fiscal year, and the library director develops a draft budget for review by the finance committee in September. That draft budget is presented to the board at the public hearing in September to support the request for the next year's millage rates. The budget is then approved by the board at a November meeting. Amendments are made during the year as necessary, with final adjustments made at the last board meeting of November before the end of the year. During the current year, the budget was amended in a legally permissible manner.

The budget has been adopted on a total revenue and expenditures basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget, as adopted by the library board, can be seen by examining the totals in the budgetary comparison schedule. The line-item detail shown is not part of the adopted budget and is shown for management analysis only.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services are rendered.

Other Supplemental Information

Saline District Library

Other Supplemental Information Schedule of Expenditures

Year Ended November 30, 2020

	General Fund - Modified- accrual Basis	Adjustments	Statement of Activities
Personnel			
Salaries and wages	1,048,599	-	1,048,599
Fringe benefits	187,182	18,481	205,663
Total personnel	1,235,781	18,481	1,254,262
Library Services			
Collections	270,566	(229,075)	41,491
Online access	46,811	-	46,811
Programs	33,454	-	33,454
Total library services	350,831	(229,075)	121,756
Facilities and Equipment			
Repairs and maintenance	78,181	-	78,181
Capital improvements and special projects	53,321	(20,054)	33,267
Utilities	72,236	-	72,236
Insurance	22,000	-	22,000
Total facilities and equipment	225,738	(20,054)	205,684
Depreciation	-	486,234	486,234
Other Administrative			
Professional services	50,026	-	50,026
Supplies	23,793	-	23,793
Tax adjustment	621	-	621
Endowment administrative charge	11,159	-	11,159
Miscellaneous	95	-	95
Total other administrative	85,694	-	85,694
Total operating expenditures	<u>\$ 1,898,044</u>	<u>\$ 255,586</u>	<u>\$2,153,630</u>

Other Supplemental Information
Changes in Fund Balance – General Fund

Year Ended November 30, 2020

	Nonspendable		Assigned for									Total
	Prepays	Quasi-endowment	Building Improvement	Equipment Purchases	Internet and Technology	Compensated Absences	Parking Lot	Library Development	Art Fund	Future Operating	Unassigned	
Balance - December 1, 2019	\$ 26,299	\$ 3,075,000	\$ 1,000,000	\$ 400,000	\$ 500,000	\$ 50,000	\$ 150,000	\$ 1,391,735	\$ 77,669	\$ -	\$ 288,538	\$ 6,959,241
Nonspendable	18,716	-	-	-	-	-	-	-	-	-	(18,716)	-
Excess of revenue under expenditures	-	-	-	-	-	-	-	-	-	-	759,747	759,747
Additional assignments	-	-	-	-	-	-	50,000	44,862	-	650,000	(744,862)	-
Balance - November 30, 2020	\$ 45,015	\$ 3,075,000	\$ 1,000,000	\$ 400,000	\$ 500,000	\$ 50,000	\$ 200,000	\$ 1,436,597	\$ 77,669	\$ 650,000	\$ 284,707	\$ 7,718,988