

**ROMEO DISTRICT LIBRARY
WASHINGTON, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)**

YEAR ENDED JUNE 30, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Romeo District Library
Washington, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Romeo District Library (the Library) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Romeo District Library as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the pension schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Manes Costeiran PC

October 31, 2023

**ROMEO DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of Romeo District Library (the Library), we offer this discussion and analysis of the activities of the Library for the year ended June 30, 2023.

The discussion and analysis of financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the Library's financial statements, which immediately follow this section.

Financial Highlights

The following represents the most significant financial highlights for the year ended June 30, 2023:

- The assets of the Library exceeded its liabilities at the end of the fiscal year by \$8,212,787 (net position) at the government-wide level.
- The Library's total net position increased by \$351,919 as a result of current year activity at the government-wide level.
- At the close of the fiscal year, the Library's governmental fund reported a fund balance of \$3,418,404.

Using this Annual Report

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

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

**ROMEO DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Library as a Whole

The following table shows, in a condensed comparative format, the net position as of June 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
ASSETS		
Current and other assets	\$ 3,467,690	\$ 3,538,507
Capital assets	<u>4,455,799</u>	<u>4,636,432</u>
TOTAL ASSETS	<u>7,923,489</u>	<u>8,174,939</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>404,316</u>	<u>97,620</u>
LIABILITIES		
Current liabilities	93,035	107,356
Noncurrent liabilities	<u>21,983</u>	<u>-</u>
TOTAL LIABILITIES	<u>115,018</u>	<u>107,356</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>304,335</u>
NET POSITION		
Investment in capital assets	4,455,799	4,636,432
Restricted	382,333	401,068
Unrestricted	<u>3,374,655</u>	<u>2,823,368</u>
TOTAL NET POSITION	<u>\$ 8,212,787</u>	<u>\$ 7,860,868</u>

As previously stated, the total net position of the Romeo District Library at the end of this fiscal year was \$8,212,787. Of the total net position at the end of the fiscal year, \$3,374,655 is considered unrestricted net position (available to finance the day-to-day operations), and \$4,455,799 was invested in capital assets.

**ROMEO DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following table shows the changes in net position in a comparative format for the year ended June 30, 2023 and the year ended June 30, 2022, respectively.

	2023	2022
REVENUES		
Program revenues		
Charges for services	\$ 8,092	\$ 6,832
Grants and contributions	100,649	92,752
General revenues		
Property taxes	2,421,402	2,289,316
State revenue and penal fines	61,529	57,132
Investment earnings and other income	76,354	15,210
TOTAL REVENUES	2,668,026	2,461,242
EXPENSES		
Recreation and culture	2,316,107	2,029,469
Change in net position	\$ 351,919	\$ 431,773

Governmental Activities

The Library's governmental revenues totaled \$2,668,026 with the greatest revenue source being property taxes which encompasses approximately 91% of the total revenues. Property taxes increased approximately 6% due to increases in taxable values. Grants and contributions increased \$7,897 or 9% due to contributions received and an increase in amounts received from personal property tax reimbursements. Interest earnings and other income increased \$61,144, or 402% due to interest rates rising to 5% in the current year.

The Library incurred expenses of \$2,316,107 during the year. As a special purpose government entity, all of the governmental expenses incurred are associated with the library service function.

The Library's Fund

The Library has one fund: the General Fund. Operations of the General Fund are financed from local property taxes, penal fines, state aid, and other various resources.

As of the fiscal year end, the General Fund reported a fund balance of \$3,418,404, an increase of about 19% from the prior fiscal year. A common suggested benchmark for the unassigned fund balance is 15 to 20% of expenditures and other financing uses, or about two months of service. At \$1,759,537, the unassigned fund balance in the General Fund represents 83% of annual expenditures.

**ROMEO DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following table shows, in a condensed comparative format, the fund balance for the General Fund as of June 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
REVENUES		
Property taxes	\$ 2,421,402	\$ 2,289,316
State sources	130,075	121,187
Charges for services	3,900	2,767
Book fines	4,192	4,065
Penal fines	23,892	23,669
Interest income	72,538	2,380
Other		
Gifts and memorials	8,211	5,028
Other revenue	3,816	12,830
	<u>2,668,026</u>	<u>2,461,242</u>
EXPENDITURES		
Library administration	1,793,969	1,863,620
Capital outlay	320,261	269,314
Debt service	-	180,014
	<u>2,114,230</u>	<u>2,312,948</u>
NET CHANGE IN FUND BALANCE	553,796	148,294
Fund balance, beginning of year	<u>2,864,608</u>	<u>2,716,314</u>
Fund balance, end of year	<u><u>\$ 3,418,404</u></u>	<u><u>\$ 2,864,608</u></u>

Budgetary Highlights

The Library amended the budget at various times during the fiscal year. The total budgeted revenue and expenditures were unchanged during the fiscal year. The most significant budget adjustment during the year was made to increase library services and materials to pay for more programs and online services.

The Library budgeted for \$2,522,650 in revenues and ended the period with \$2,668,026, which is \$145,376 more than the final budget, primarily related to property taxes and interest income.

The Library budgeted for \$2,522,650 in expenditures (as amended) and actually spent \$2,114,230, which is \$408,420 less than the final budget, primarily related to employee benefits and capital outlay. The current year actual expenditures decreased 9% from the prior fiscal year due to paying off their debt.

**ROMEO DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Capital Assets

At the end of the fiscal year, the Library had \$4,455,799 invested in capital assets (net of accumulated depreciation) including the building, furniture, and equipment. During the fiscal year, additions to capital assets included building improvements, furniture and office equipment, and books. See Note 3 in the financial statements for more details related to the Library's capital assets.

Economic Factors and Next Year's Budget

The tax base in Southeastern Michigan has been consistent over the past few years. Tax revenue is anticipated to increase modestly for the Library. As growth in our service area continues to grow, we expect to see growth in our revenue.

The Library is currently in the first year of a three-year strategic plan with a focus on marketing, digital offerings, and possible renovation of the main branch. The Library's expenditures have been planned according to these priorities. We do expect rising personnel costs as salaries and benefits increase, and we expect to have higher costs for building maintenance as the facilities age.

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 Library Director's Office at 65821 Van Dyke, Washington Township, MI 48095.

BASIC FINANCIAL STATEMENTS

**ROMEO DISTRICT LIBRARY
STATEMENT OF NET POSITION
JUNE 30, 2023**

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 3,246,583
Investments	101,610
Receivables	
Taxes	21,331
Prepays	<u>98,166</u>
Total current assets	<u>3,467,690</u>
Noncurrent assets	
Capital assets not being depreciated	236,733
Capital assets, net of accumulated depreciation	<u>4,219,066</u>
Total noncurrent assets	<u>4,455,799</u>
TOTAL ASSETS	<u>7,923,489</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	<u>404,316</u>
LIABILITIES	
Current liabilities	
Accounts payable	19,818
Accrued wages	16,270
Accrued liabilities	13,198
Compensated absences	<u>43,749</u>
Total current liabilities	<u>93,035</u>
Noncurrent liabilities	
Net pension liability	<u>21,983</u>
TOTAL LIABILITIES	<u>115,018</u>
NET POSITION	
Investment in capital assets	4,455,799
Restricted for pensions	382,333
Unrestricted	<u>3,374,655</u>
TOTAL NET POSITION	<u><u>\$ 8,212,787</u></u>

See accompanying notes to financial statements.

**ROMEIO DISTRICT LIBRARY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

<u>Function/Program</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities				
Recreation and culture	<u>\$ 2,316,107</u>	<u>\$ 8,092</u>	<u>\$ 100,649</u>	<u>\$ (2,207,366)</u>
General revenues				
Property taxes				2,421,402
State aid and penal fines				61,529
Investment earnings				72,538
Other miscellaneous income				<u>3,816</u>
Total general revenues				<u>2,559,285</u>
Change in net position				351,919
Net position, beginning of year				<u>7,860,868</u>
Net position, end of year				<u>\$ 8,212,787</u>

See accompanying notes to financial statements.

**ROMEO DISTRICT LIBRARY
GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2023**

	General
ASSETS	
Cash and cash equivalents	\$ 3,246,583
Investments	101,610
Receivables	
Taxes	21,331
Prepays	98,166
TOTAL ASSETS	\$ 3,467,690
LIABILITIES	
Accounts payable	\$ 19,818
Accrued wages	16,270
Other accrued liabilities	13,198
TOTAL LIABILITIES	49,286
FUND BALANCE	
Nonspendable	98,166
Assigned	
Property taxes collected to fund subsequent year's expenditures	1,210,701
Capital improvements	350,000
Unassigned	1,759,537
TOTAL FUND BALANCE	3,418,404
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,467,690

See accompanying notes to financial statements.

**ROMEO DISTRICT LIBRARY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total Fund Balance - Governmental Fund \$ 3,418,404

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	\$ 8,022,095	
Accumulated depreciation is	<u>(3,566,296)</u>	
Capital assets, net		4,455,799

Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, net differences between projected and actual plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Net pension liability	(21,983)	
Deferred outflows of resources related to pensions	<u>404,316</u>	
		382,333

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund balance sheet. Long-term liabilities at year-end consist of:

Compensated absences		<u>(43,749)</u>
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Net Position of Governmental Activities \$ 8,212,787

**ROMEO DISTRICT LIBRARY
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2023**

	General
REVENUES	
Property taxes	\$ 2,421,402
State sources	130,075
Service fees	3,900
Book fines	4,192
Penal fines	23,892
Interest income	72,538
Gifts and memorials	8,211
Other	3,816
TOTAL REVENUES	2,668,026
EXPENDITURES	
Current	
Recreation and culture	
Salaries and wages	941,692
Employee benefits	311,909
Supplies	35,684
Contracted services	136,631
Public relations	39,426
Technology	98,338
Building maintenance	33,128
Utilities	87,128
Other charges	3,149
Library services and materials	106,884
Capital outlay	
Collections	142,685
Library improvements	177,576
TOTAL EXPENDITURES	2,114,230
NET CHANGE IN FUND BALANCE	553,796
Fund balance, beginning of year	2,864,608
Fund balance, end of year	\$ 3,418,404

See accompanying notes to financial statements.

ROMEO DISTRICT LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Net Change in Fund Balance - Total Governmental Fund \$ 553,796

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

Capital outlays are reported as expenditures in governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 320,258	
Depreciation expense	<u>(500,891)</u>	
Excess of depreciation expense over capital outlay		(180,633)

Some items 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 fund. These activities consist of:

(Increase) in compensated absences	(2,509)	
Increase in deferred outflows of resources related to pension	306,696	
Decrease in deferred inflows of resources related to pensions	304,335	
(Increase) in net pension liability	(21,983)	
(Decrease) in net pension asset	<u>(607,783)</u>	
		<u>(21,244)</u>

Change in Net Position of Governmental Activities \$ 351,919

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF LIBRARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Romeo District Library (the Library) was created in 1908, through a resolution put before voters calling for the establishment of a library under provisions of state law. Public Act 24 defines the Library's legal status as "an Authority under Section 6 of Article IX of the State Constitution of 1963" thereby classifying the Library as a Michigan Municipal Corporation. The Library's governmental participants collect and distribute property taxes that are levied by the Library.

The Library is governed by a six-member Board of Trustees; two appointed by the Village of Romeo, two appointed by the Township of Washington, and two appointed by the Township of Bruce.

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

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the Library (primary government). The Library has no activities that would be classified as component units.

Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

FUND FINANCIAL STATEMENTS

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

Measurement Focus

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

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF LIBRARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus (continued)

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

Basis of Accounting

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

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

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

Budgets and Budgetary Accounting

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

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Library prepares the proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and resources to finance them.
- b. Prior to incurring significant expenditures, the budget is legally enacted through Library Board action.

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF LIBRARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting (continued)

- c. The budget is legally adopted at the functional level; however, it is maintained at the account level for control purposes.
- d. Budgeted amounts are reported as originally adopted and amended by the Library Board during the year.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking and money market accounts. Investments consist of certificates of deposit with an original maturity of greater than 90 days. Cash equivalents and investments are stated at fair value.

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or Federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Receivables

Receivables consist of amounts due for contributions, book fines, and taxes.

Prepays

Prepaid expenditures in the governmental fund, such as insurance premiums, which are expected to be written off within the next fiscal year, are included in net current assets. Reported prepaid expenditures are equally offset by the nonspendable fund balance, which indicates they do not constitute "available spendable resources" even though they are a component of fund balance.

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF LIBRARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Taxes

The municipalities within the Library's jurisdictional territory levy and collect property taxes for the Library. As the Library tax is collected, it is remitted by the Township and Village Treasurers. At March 1 each year the Townships and Village settle their delinquent taxes with the County Treasurer and the unpaid real property tax is remitted to the Library by the County Treasurer in Macomb County. Delinquent personal property taxes are retained by the Township and Village Treasurers for subsequent collection. The Library is permitted to levy up to \$1.0607 per \$1,000 of assessed valuation on property within the District. For the year ended June 30, 2023, the Library levied 1.0607 mills. The total taxable value for the 2022 levy on the property within the District was \$2,284,033,271.

Tax Abatements

The Library's tax revenues have been reduced by tax abatements. There have been no significant abatements made by the Library or other governmental units that significantly reduce the Library's tax revenue. Management has determined the amount of any tax abatements to be immaterial to the financial statements.

Capital Assets

Capital assets are recorded (net of accumulated depreciation) in the government-wide financial statements. Capital assets are those with an initial individual cost of \$1,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental fund. Instead, capital acquisition and construction are reflected as expenditures in the governmental fund and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition cost on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Land improvements	20 years
Furniture and office equipment	5 - 10 years
Computer equipment	3 years
Machinery and equipment	15 - 20 years
Library collection	5 - 7 years

Long-Term Obligations

Long-term obligations are recognized as a liability in the government-wide financial statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

Long-term obligations are recognized as a liability of a governmental fund when due or when resources have been accumulated for a payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF LIBRARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Classifications

Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the Library's highest level of decision-making authority is the Library Board of Trustees. Formal action that is required to be taken to establish a fund balance commitment is a resolution of the Library Board. A majority vote is required to approve a commitment and a two-thirds vote is required to remove a commitment.

For assigned fund balance, the Library Board of Trustees has delegated the authority to assign amounts to the Library Director.

The Library Board of Trustees has adopted a policy that establishes an assignment of 50% of property tax revenues in the current fiscal year to pay for expenditures incurred in the next fiscal year. Taxes are levied in December. Property tax revenues assigned for the subsequent fiscal year's expenditures were \$1,210,701.

The Library Board of Trustees has designated a minimum unassigned fund balance of 20% of prior year's budgeted expenditures to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain budget stabilization commitment. The Director and Board may, at their discretion, determine a need to retain additional unassigned fund balance in anticipation of future needs such as planned capital asset purchases, potential revenue reductions, etc.

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF LIBRARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Classification Policies and Procedures (continued)

The Library has adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. The Library considers restricted amounts to have been spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the Library considers committed amounts to have been spent first followed by assigned and then unassigned when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 and so will not be recognized as an outflow of resources (expense) until that time.

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

The Library reports deferred outflows of resources related to the Library's net pension liability and consist of differences between projected and actual pension plan investment earnings and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow of resources in the period to which they apply.

Compensated Absences

The Library employees are granted vacation leave in varying amounts. In the event of termination, an employee is paid for certain portions of unused time. This amount has been recorded as a current liability in the government-wide financial statements.

Net Pension Liability

The net pension liability is deemed to be a noncurrent liability and is recognized in the government-wide financial statements.

Restricted Net Position

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

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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2023, the Library had deposits subject to the following risk:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. As of June 30, 2023, \$67,564 of the Library's bank balance of \$667,715 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books at the end of the year was \$656,095. The Library also held \$1,017 on deposit with the Suburban Library Cooperative, which acts as a centralized purchasing account.

Custodial Credit Risk - Investments

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

The Library will minimize custodial credit risk, by diversifying its investments by institution to ensure that potential losses on individual securities do not exceed the income generated by the remainder of the portfolio.

Interest Rate Risk

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 designating its investment portfolio with the objective of obtaining a rate of return through the economic cycles considering risk constraints and cash flow characteristics.

	Fair Value	Weighted Average Maturity
Michigan CLASS Investment Pool	\$ 2,102,271	< 60 days
U.S. Treasury Bills	588,810	133 days
	\$ 2,691,081	

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. As of June 30, 2023, the Library's investment in the Michigan CLASS Investment Pool was rated AAAM by S&P Global Ratings and the Library's investment in U.S. Treasury Bills was rated Aaa by Moody's. All of the Library's investments comply with its policy regarding the types of investments it may hold.

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk

The Library will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Library's investment in a single issuer, by diversifying the investment portfolio either by security type or institution to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Foreign Currency Risk

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

Fair Value Measurement

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 asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified using the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the above 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 or liability.

As of June 30, 2023, the carrying amount and fair value of the Library's investment in U.S. Treasury Bills, a level 2 investment, was \$588,810.

Investments in Entities that Calculate Net Asset Value per Share

The Library holds shares or interests in Michigan CLASS Investment Pool where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At the year ended June 30, 2023, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Michigan CLASS Investment Pool	<u>\$ 2,102,271</u>	<u>\$ -</u>	No restrictions	None

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets not being depreciated				
Land	\$ 236,733	\$ -	\$ -	\$ 236,733
Capital assets being depreciated				
Buildings and improvements	5,710,337	113,982	-	5,824,319
Land improvements	179,431	-	-	179,431
Furniture and office equipment	360,322	51,862	(40,884)	371,300
Computer equipment	35,131	-	-	35,131
Machinery and equipment	98,130	11,730	-	109,860
Automobile	57,673	-	-	57,673
Library collection	1,631,186	142,684	(566,222)	1,207,648
Subtotal	8,072,210	320,258	(607,106)	7,785,362
Less accumulated depreciation for:				
Buildings and improvements	(2,289,260)	(162,188)	-	(2,451,448)
Land improvements	(26,915)	(17,942)	-	(44,857)
Furniture and office equipment	(192,309)	(37,296)	40,884	(188,721)
Computer equipment	(16,394)	(7,026)	-	(23,420)
Machinery and equipment	(16,140)	(5,255)	-	(21,395)
Automobile	(23,551)	(11,535)	-	(35,086)
Library collection	(1,107,942)	(259,649)	566,222	(801,369)
Subtotal	(3,672,511)	(500,891)	607,106	(3,566,296)
Net capital assets being depreciated	4,399,699	(180,633)	-	4,219,066
Capital assets, net	\$ 4,636,432	\$ (180,633)	\$ -	\$ 4,455,799

NOTE 4 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations (including current portion) of the Library for the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year
Compensated absences	\$ 41,240	\$ 54,976	\$ (52,467)	\$ 43,749	\$ 43,749

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - LONG-TERM OBLIGATIONS (continued)

Compensated Absences

It is the Library's policy to permit employees to accumulate earned but unused paid time off benefits. For most employees however, paid time off does not accumulate beyond the calendar year. All paid time off is accrued when incurred in the government-wide financial statements. The dollar amounts of these vested rights including related payroll taxes, which have been recorded as a current liability in the government-wide financial statements, amounted to \$43,749 at June 30, 2023.

NOTE 5 - DEFINED BENEFIT RETIREMENT PLAN

Plan Description

The Library 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's 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 by accessing MERS website at www.mersofmich.com.

Summary of Significant Accounting Policies

For the purposes of measuring the net pension liability, 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.

Benefits Provided

The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. Public Act 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. The MERS plan covers employees of the Library hired prior to July 1, 2002.

Retirement benefits for employees are calculated as 2.50% of the employee's five-year final average compensation times the employee's years of service with a maximum of 80% of final average compensation. Normal retirement age is 60 with a reduced benefit at age 50 with 25 years of service or age 55 with 15 years of service. Deferred retirement benefits vest after 6 years of credited service but are not paid until the date retirement would have occurred had the member remained an employee. Employees are eligible for non-duty disability benefits after 6 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately and if duty-related without an actuarial reduction for retirement before age 60 is not applied. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the Library Board of Trustees.

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - DEFINED BENEFIT RETIREMENT PLAN (continued)

Benefits Provided (continued)

At the December 31, 2022, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	5
Active employees	1
Total employees covered by MERS	29

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 may establish contribution rates to be paid by its covered employees.

The Library contributes a flat monthly rate for the closed division. Active covered employees contributed 3.00% of annual payroll for the year ended June 30, 2023.

Payable to the Pension Plan

At June 30, 2023, there were no amounts outstanding by the Library for contributions to the pension plan required for the year ended June 30, 2023.

Net Pension Liability (Asset)

The Library's net pension liability reported at June 30, 2023, was determined using a measure of the total pension liability and the pension net position as of December 31, 2022. The December 31, 2022 total pension liability was determined by an actuarial valuation performed as of that date.

Changes in Net Pension Liability (Asset)	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at December 31, 2021	\$ 3,638,326	\$ 4,246,109	\$ (607,783)
Service cost	9,016	-	9,016
Interest on total pension liability	253,704	-	253,704
Changes of benefit terms	69,630	-	69,630
Difference between expected and actual experience	4,013	-	4,013
Employer contributions	-	182,564	(182,564)
Employee contributions	-	1,015	(1,015)
Net investment income (loss)	-	(469,224)	469,224
Benefit payments, including employee refunds	(286,943)	(286,943)	-
Administrative expense	-	(7,758)	7,758
Net changes	49,420	(580,346)	629,766
Balances at December 31, 2022	\$ 3,687,746	\$ 3,665,763	\$ 21,983

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - DEFINED BENEFIT RETIREMENT PLAN (continued)

Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2023, the Library recognized a pension expense of \$133,913. The Library reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Excess investment returns	\$ 374,082	\$ -
Contributions subsequent to the measurement date*	30,234	-
Total	\$ 404,316	\$ -

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as an increase in the net pension asset for the year ending June 30, 2024.

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

Year Ending June 30,	Pension Expense
2024	\$ 41,932
2025	70,657
2026	103,950
2027	157,543

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 - 2.5%.

Salary increases - 3.00% in the long-term plus a percentage based on age related scale to reflect merit, longevity, and promotional pay increases.

Investment rate of return - 7.00%, net of investment expenses, including inflation.

Mortality rates used were based on a version of Pub-201 and fully generational MP-2019.

The actuarial assumptions used in the valuation were based on the results of the 2014-2018 Five-Year Experience Study.

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - DEFINED BENEFIT RETIREMENT PLAN (continued)

Discount Rate

The discount rate used to measure the total pension liability is 7.25%. 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.

Change in Assumptions

There were no changes in assumptions during plan year 2022.

Projected Cash Flows

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.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Expected Money-Weighted Rate of Return</u>
Global Equity	60.00%	4.50%	2.70%
Global Fixed Income	20.00%	2.00%	0.40%
Private Investments	20.00%	7.00%	1.40%
	<u>100.00%</u>		
Inflation			<u>2.50%</u>
Assumed investment rate of return			7.00%
Administrative expenses netted above			<u>0.25%</u>
	Investment rate of return		<u>7.25%</u>

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - DEFINED BENEFIT RETIREMENT PLAN (continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Library, calculated using the discount rates of 7.25%, as well as what the Library's net pension liability (asset) would be using a discount rate that is 1% lower (6.25%) or 1% higher (8.25%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability (asset) of the Library	\$ 385,493	\$ 21,983	\$ (287,867)

NOTE 6 - DEFINED CONTRIBUTION RETIREMENT PLAN

For all employees hired after July 1, 2002, the Library offers a defined contribution plan created in accordance with Internal Revenue Code Section 401 to its employees. The plan is managed by Michigan Municipal Employees' Retirement System. The Library Board of Trustees established, and may amend, the provisions of the plan, including the amounts required to be contributed by the Library. For this plan, the Library contributes 8% of an employee's compensation for all eligible enrolled employees. Employees contribute 2% of compensation.

For the year ended June 30, 2023, the Library contributed \$52,871 to the defined contribution plan for its employees. The Library employees contributed \$13,218 to the defined contribution plan for the year ended June 30, 2023.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS

The Library provides retiree healthcare benefits to eligible employees and their spouses through the Romeo District Library Retiree Defined Contribution Health Care Plan. The plan is administered by the Municipal Employees' Retirement System (MERS). The benefits are provided under collective bargaining agreements. The collective bargaining agreements require the Library to contribute \$70 biweekly for each participating full-time employee in Unit 91 with a hire date on or before June 30, 2012, or transfer from Unit 62 with a hire date on or before June 30, 2012. The collective bargaining agreements require the Library to contribute \$70 biweekly for each participating full-time employee in Unit 62 with a hire date on or before June 30, 2012. For any employee hired after July 1, 2012, the Library is required to contribute \$35 biweekly for each participating full-time employee for both Unit 62 and Unit 91. Any plan members who receive a normal retirement from the Library are then eligible to use the balance in their accounts to fund current medical insurance premiums.

During the year ended June 30, 2023, the Library made contributions of \$16,058 to the plan.

NOTE 8 - RISK MANAGEMENT

The Library is exposed to various risks of loss related to property, general liability, auto, and workers compensation. The Library has purchased commercial insurance to cover any potential claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the prior three fiscal years.

**ROMEO DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2023, the Library implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

Summary:

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

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

NOTE 10 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior period, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Library is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Library is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

**ROMEO DISTRICT LIBRARY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 2,375,000	\$ 2,375,000	\$ 2,421,402	\$ 46,402
State sources	100,250	100,250	130,075	29,825
Service fees	2,500	2,500	3,900	1,400
Book fines	4,000	4,000	4,192	192
Penal fines	25,000	25,000	23,892	(1,108)
Interest income	1,500	1,500	72,538	71,038
Gifts and memorials	10,000	10,000	8,211	(1,789)
Other	4,400	4,400	3,816	(584)
TOTAL REVENUES	<u>2,522,650</u>	<u>2,522,650</u>	<u>2,668,026</u>	<u>145,376</u>
EXPENDITURES				
Current				
Recreation and culture				
Salaries and wages	937,800	937,800	941,692	(3,892)
Employee benefits	423,000	408,000	311,909	96,091
Supplies	49,000	49,000	35,684	13,316
Contracted services	185,100	185,100	136,631	48,469
Public relations	42,850	42,850	39,426	3,424
Technology	113,000	113,000	98,338	14,662
Building maintenance	61,000	61,000	33,128	27,872
Utilities	106,000	106,000	87,128	18,872
Other charges	3,200	3,200	3,149	51
Library services and materials	94,500	109,500	106,884	2,616
Capital outlay				
Collections	177,200	177,200	142,685	34,515
Library improvements	330,000	330,000	177,576	152,424
TOTAL EXPENDITURES	<u>2,522,650</u>	<u>2,522,650</u>	<u>2,114,230</u>	<u>408,420</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	553,796	<u>\$ 553,796</u>
Fund balance, beginning of year			<u>2,864,608</u>	
Fund balance, end of year			<u>\$ 3,418,404</u>	

ROMEO DISTRICT LIBRARY
SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS
LAST NINE MEASUREMENT YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF DECEMBER 31 OF EACH FISCAL YEAR)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	\$ 9,016	\$ 12,449	\$ 18,781	\$ 21,193	\$ 20,020	\$ 19,673	\$ 18,713	\$ 29,224	\$ 57,495
Interest	253,704	262,511	261,916	264,832	263,221	258,898	256,193	240,684	231,333
Changes of benefit terms	69,630	-	-	-	-	-	-	-	-
Difference between expected and actual experience	4,013	(83,998)	(166,008)	1,864	(8,246)	22,037	(4,697)	71,496	-
Changes of assumptions	-	114,807	139,313	105,493	-	-	-	155,688	-
Benefit payments, including employee refunds	(286,943)	(230,620)	(255,392)	(257,212)	(253,701)	(239,785)	(233,949)	(179,681)	(143,014)
Other	-	-	-	(1)	-	-	(2)	-	-
Net change in total pension liability	49,420	75,149	(1,390)	136,169	21,294	60,823	36,258	317,411	145,814
Total Pension Liability, beginning	3,638,326	3,563,177	3,564,567	3,428,398	3,407,104	3,346,281	3,310,023	2,992,612	2,846,798
Total Pension Liability, ending	\$ 3,687,746	\$ 3,638,326	\$ 3,563,177	\$ 3,564,567	\$ 3,428,398	\$ 3,407,104	\$ 3,346,281	\$ 3,310,023	\$ 2,992,612
Plan Fiduciary Net Position									
Contributions - employer	\$ 182,564	\$ 398,099	\$ 179,148	\$ 446,460	\$ 112,842	\$ 73,674	\$ 47,424	\$ 32,622	\$ 16,788
Contributions - employee	1,015	6,800	5,599	5,801	5,623	5,531	5,746	11,913	14,379
Net investment income (loss)	(469,224)	542,976	407,112	363,383	(110,137)	351,507	289,737	(40,971)	171,758
Benefit payments, including employee refunds	(286,943)	(230,620)	(255,392)	(257,212)	(253,701)	(239,785)	(233,949)	(179,681)	(143,014)
Administrative expenses	(7,758)	(5,898)	(6,433)	(6,217)	(5,543)	(5,578)	(5,728)	(6,044)	(6,291)
Net change in plan fiduciary net position	(580,346)	711,357	330,034	552,215	(250,916)	185,349	103,230	(182,161)	53,620
Plan Fiduciary Net Position, beginning	4,246,109	3,534,752	3,204,718	2,652,503	2,903,419	2,718,070	2,614,840	2,797,001	2,743,381
Plan Fiduciary Net Position, ending	\$ 3,665,763	\$ 4,246,109	\$ 3,534,752	\$ 3,204,718	\$ 2,652,503	\$ 2,903,419	\$ 2,718,070	\$ 2,614,840	\$ 2,797,001
Library's Net Pension Liability (Asset)	\$ 21,983	\$ (607,783)	\$ 28,425	\$ 359,849	\$ 775,895	\$ 503,685	\$ 628,211	\$ 695,183	\$ 195,611
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	99%	117%	99%	90%	77%	85%	81%	79%	93%
Covered payroll	\$ 89,532	\$ 119,470	\$ 169,967	\$ 193,369	\$ 187,629	\$ 184,377	\$ 172,466	\$ 265,479	\$ 479,274
Library's Net Pension Liability (Asset) as a percentage of covered payroll	25%	-509%	17%	186%	414%	273%	364%	262%	41%

**ROMEO DISTRICT LIBRARY
SCHEDULE OF CONTRIBUTIONS
LAST NINE FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)
(AMOUNTS DETERMINED AS OF JUNE 30 OF EACH FISCAL YEAR)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarial determined contributions	\$ 59,976	\$ 195,240	\$ 158,460	\$ 116,592	\$ 92,328	\$ 91,356	\$ 55,992	\$ 38,856	\$ 30,960
Contributions in relation to the actuarially determined contribution	114,884	195,240	400,460	458,592	134,328	91,356	55,992	38,856	30,960
Contribution deficiency (excess)	<u>\$ (54,908)</u>	<u>\$ -</u>	<u>\$ (242,000)</u>	<u>\$ (342,000)</u>	<u>\$ (42,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 94,427	\$ 142,022	\$ 171,896	\$ 181,776	\$ 190,550	\$ 185,123	\$ 179,510	\$ 265,479	\$ 479,274
Contributions as a percentage of covered payroll	122%	137%	233%	252%	70%	49%	31%	15%	6%

**ROMEO DISTRICT LIBRARY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023**

NOTE 1 - EMPLOYEE RETIREMENT PLAN

Changes of Benefits Terms: Changes to early retirement (Unreduced and reduced).

Changes in Assumptions: There were no significant changes in assumptions for the plan year 2022.