

Muskegon Area District Library
Muskegon, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

December 31, 2021



Muskegon Area District Library

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Muskegon Area District Library
Muskegon, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Muskegon Area District Library, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Muskegon Area District Library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Muskegon Area District Library as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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 Muskegon Area District Library's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Emphasis of Matter – Change in Accounting Principle

As described in Note N to the financial statement, the Library implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Board of Directors
Muskegon Area District Library
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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, and pension and other post-employment benefits schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not 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.



Muskegon, Michigan
June 6, 2022

Muskegon Area District Library

Library Management's Discussion and Analysis

Brief Discussion of the Basic Financial Statements

This report consists of three parts -- *management's discussion and analysis (this section), the basic financial statements, and required supplementary information.* The basic financial statements include information that presents two different views of the Library.

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These financial statements focus on current resources and provide a detailed view about the Library's sources and uses of funds.
- The "Adjustments" column of the financial statements represents adjustments necessary to convert the modified accrual statements to the government-wide financial statements under the full accrual method.
- The third column provides both long-term and short-term information about the Library's overall financial status. The "Statement of Net Position" and the "Statement of Activities" provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances.

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.

Key Highlights

- MADL's mobile Hotspot service continues to be extremely popular. MADL has 124 hotspots available as well as another 25 in iPad kits.
- The branch remodel at the North Muskegon Library (Walker Memorial) was completed and a reception held to thank the anonymous donor for the funds donated for the project.
- Branch remodels were completed at the Muskegon Heights and Egelston Branches. Plans for the Ravenna Branch Storyville and remodel began.
- The Bookmobile arrived in August 2021 and began service. The Bookmobile greeted 7,605 guests from August to December 2021.
- MADL made many technological advances in 2021 with implementation of a new time/print software as well as mobile printing capabilities which brought another new service for the public. MADL migrated from Microsoft Exchange to Office 365.
- MADL went "Fines Free" in March of 2021 to remove barriers to service.

Condensed Financial Information

Statement of Net Position

The Statement of Net Position presents information on all of the Library's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two reported as net position. Over time increases or decreases in net position may serve as an indicator of whether the financial position of the Library is improving or deteriorating.

Current assets and other assets decreased due to a decrease in cash from various capital projects during the year. Deferred inflows and outflows increase and decrease based on various fluctuations between actual and expected variables in the pension and other postemployment benefit plans. Current liabilities decreased due to fewer accounts payable at the end of the year related to construction activity. Noncurrent liabilities decreased due to normal scheduled debt payments and a decrease in compensated absences.

Muskegon Area District Library

Library Management's Discussion and Analysis

Statement of Net Position

	<u>2021</u>	<u>2020</u>
Current assets and other assets	\$ 6,750,556	\$ 7,680,132
Capital assets, net	4,438,728	3,489,214
Total assets	11,189,284	11,169,346
Deferred outflows of resources	507,462	378,019
Total assets and deferred outflows of resources	11,696,746	11,547,365
Liabilities		
Current	115,516	256,110
Noncurrent	501,963	606,179
	617,479	862,289
Total deferred inflows of resources	4,234,312	4,017,854
Total liabilities and deferred inflows of resources	4,851,791	4,880,143
Net position		
Net investment in capital assets	3,768,988	3,441,428
Unrestricted	3,075,967	3,225,794
Total net position	<u>\$ 6,844,955</u>	<u>\$ 6,667,222</u>

Muskegon Area District Library

Library Management's Discussion and Analysis

Statement of Activities

The table below shows key financial information under the full accrual method in a condensed format. Amounts and totals reported are for all Library activities, including general operations, improvements, and gift activity in order to give a complete picture.

Statement of Activities

	<u>2021</u>	<u>2020</u>
General revenues		
Property taxes	\$ 3,876,708	\$ 3,737,799
Grants and contributions	405,936	435,489
Fines and forfeitures	207,882	196,193
Other	119,955	197,773
Total revenues	4,610,481	4,567,254
Expenses		
Salaries and wages	1,899,857	1,772,395
Fringe benefits	534,605	589,770
Contracted services	454,940	425,822
Depreciation	525,914	442,639
Other expenses	1,017,432	848,405
Total expenses	4,432,748	4,079,031
Change in net assets	177,733	488,223
Net position at beginning of year	6,667,222	6,178,999
Net position at end of year	<u><u>\$ 6,844,955</u></u>	<u><u>\$ 6,667,222</u></u>

The following explains some of the significant changes between the prior year and current year:

Revenues

- Property tax revenues increased due to increasing taxable values.
- Grants and contributions showed a usual trend in 2021 after a large increase in the prior year due to an anonymous donation.

Muskegon Area District Library

Library Management's Discussion and Analysis

Expenses

- Salaries and wages increased due to the addition of a programs Manager and Marketing Assistant position. As well, MADL conducted a Salary Survey and made adjustments accordingly.
- Fringe benefits decreased due to changes in actuarial assumptions related to pension and other post-employment benefits.
- MADL depreciation increased due to depreciation on branch remodels and collection additions.
- Other expenses increased due to an increase in marketing and electronic services costs related to implementation of the Bookmobile in 2021.

The Library's Fund

The analysis of the Library's sole fund, the General Fund, is included on pages 11 and 12. Revenues for 2021 were up due to higher taxable value and increased state revenue sharing.

The Library's Budget Highlights

The Muskegon Area District Library (MADL) is the largest (Class 6) multi-branch library system with 10 locations located throughout Muskegon County. The library system was established in 1938 and in 2018 MADL celebrated its 80th Anniversary.

The Library ended 2021 with a circulation count of 630,406, an increase from 2020, (526,059) which indicates a moderate recovery from the COVID-19 pandemic. MADL's return to in-person programs presented an increase in attendance from 2,494 in 2020 to 14,288 in 2021.

Over the course of the year, the Library Board amended the budget to address unplanned needs and events that occurred during the year. The amendments to revenues and expenditures are as follows:

Revenues

- USF Credits were amended higher as MADL made several purchases that were USF eligible such as a fiber internet, wireless access points, firewalls, switches, and cabling.
- MADL amended the overdue fines downward due to going fine free in March 2021.
- Penal fines were amended higher to reflect the increase in collections.

Expenditures

- Fringe benefits were amended higher due to higher than anticipated costs.
- The capital outlay budget was increased due to branch remodels, and the purchase of the Bookmobile.

Muskegon Area District Library

Library Management's Discussion and Analysis

The following comments summarize the major variations from the final budget to actual revenues and expenditures:

Revenues

- Grant revenues came in higher than anticipated due to several available grant opportunities.
- Interest earnings came in lower than anticipated due to lower interest rates.

Expenditures

- Fringe benefits came in lower than anticipated due to lower than anticipated premiums.
- Capital Outlay came in lower than anticipated due to the timing of anticipated expenditures.

Capital Assets and Debt Administration

At the end of the fiscal year, the Library had \$3,807,297 invested in the building, software, equipment, books and materials net of depreciation. The Library added \$428,043 in new collection items consisting of new books and various audio/visual materials and \$523,794 in other capital expenditures primarily related to the branch remodels.

The Library's long-term debt activity consists of capped accumulated employee compensated absences (sick leave) to be paid to eligible employees upon retirement and a capital lease.

Next Year's Anticipated Budget Factors and Currently Known Facts

The Library's budget for 2022 projects a deficit budget for the year and a positive fund balance at year end. The majority of revenues will come from property taxes and penal fines. The remainder of funds will come from state aid grants to libraries, Universal Service Fund credits, photocopier, fax income and other donations from individuals and groups.

State aid grants are a small portion of the Library's overall budget but are a large portion of the budget for the Library for the Visually and Physically Disabled (LVPD). As well, State aid grants are important to library cooperatives and cooperative services to member libraries.

Penal fines vary from year to year and can only be estimated based upon previous year's receipts .

Inflation will have an impact on the cost of supply and materials purchases. Wages are also affected by inflation as the library pays a cost-of-living formula (COLA) in December each year.

Fluctuating gas prices will influence the overall costs of delivery services.

Muskegon Area District Library

Library Management's Discussion and Analysis

The Library's millage to continue library services for 10 years at 1.249 mills was successful on August 2, 2016, and the first levy commenced in 2016. A Headlee Override in 2020 and 2021 reduced MADL's millage rate to 1.2363. MADL continues to raise the level of library service in Muskegon County. Poverty, literacy, and education statistics for Muskegon County prove the need for a better funded library system.

This is a critical time for the Library. Thanks to the additional property tax revenues, the Library can impact the people and community it serves in new and profound ways. The system always faces the issue that it serves multiple, distinct communities with very different needs. These are significant challenges. MADL embarked on a new Strategic Plan in the fall of 2021 for implementation in 2022 to 2025. The Library's current mission statement is: **The Muskegon Area District Library connects a diverse community to resources and services that educate, inform, enrich, and entertain.** The Library is committed to providing high quality services to the community now and into the future.

MADL's partnership with MAISD generates new library cards for the county's youth. MADL implemented a no fines for youth policy (2019) to encourage and expand library use as MADL continues to try to remove barriers to library service. MADL has gone totally fine free in 2021 which has been a national trend for libraries.

The Bookmobile was placed into service in 2021 and is fulfilling an outreach need for the community and has been very well-received.

Renovation plans are underway or completed at time of this writing at the Egleston, Ravenna, Montague and Holton Branches.

The MADL, Hackley Public and White Lake District Libraries applied for and received an LSTA grant for Family Place Learning Centers. MADL's certified Family Place Library will now be at the Egelston Branch. A certified Family Place Library will have a new Early Childhood Area which will consist of a play area for children ages 0-5 and their caregivers, and will contain books, toys, and areas for creative play, STEAM learning and more. Parent/Child workshops will be held at least twice a year. Family Place Libraries certification supports the idea of libraries as community centers where children and families grow and develop to become lifelong learners.

Muskegon Area District Library

Library Management's Discussion and Analysis

MADL offers a wide range of databases for the public including Hoopla, Kanopy, Libby, Overdrive, Newsbank (Muskegon Chronicle online), Freegal, Cloud Library to name just a few. MADL added Valueline (stocks) and Tumble Books (streaming books for children) in 2020 and BrainFuse (tutoring) in 2021. MADL's virtual usage continues to rise.

MADL is looking forward to continuing their commitment of strengthening and revitalizing public services in all branch locations.

With the departure of Director Kelly Richards, MADL began the search process for a new director. MADL will welcome Ron L. Suszek in June of 2022.

Contacting the Library's Financial Management

This financial report is designed to provide a general overview of the Library's finances for all those interested in the Library's finances. If you have any questions about this report or need additional information, contact Brenda Hall, Interim Director at Muskegon Area District Library, 4845 Airline Road, Unit 5, Muskegon, Michigan 49444.

Muskegon Area District Library
BALANCE SHEET—STATEMENT OF NET POSITION
December 31, 2021

	Balance Sheet - Modified Accrual	Adjustments	Statement of Net Position - Full Accrual
ASSETS			
Cash and cash equivalents	\$ 1,405,416	\$ -	\$ 1,405,416
Investments	1,548,829	-	1,548,829
Receivables			
Property taxes	3,652,972	-	3,652,972
Other	33,937	-	33,937
Prepaid items	109,402	-	109,402
Capital assets, net			
Nondepreciable	-	126,200	126,200
Depreciable	-	3,681,097	3,681,097
Net other post-employment benefits asset	-	631,431	631,431
	6,750,556	4,438,728	11,189,284
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions and other post-employment benefits	-	507,462	507,462
	-	507,462	507,462
Total assets and deferred outflows of resources	\$ 6,750,556	4,946,190	11,696,746
LIABILITIES			
Accounts payable	\$ 31,869	-	31,869
Accrued liabilities	83,647	-	83,647
Noncurrent liabilities			
Due within one year			
Capital lease and other obligations	-	46,805	46,805
Due in more than one year			
Capital lease and other obligations	-	238,962	238,962
Net pension liability	-	216,196	216,196
	115,516	501,963	617,479
DEFERRED INFLOWS OF RESOURCES			
Related to pensions and other post-employment benefits	-	278,532	278,532
Property taxes levied for subsequent fiscal year	3,955,780	-	3,955,780
	4,071,296	780,495	4,851,791
FUND BALANCE			
Nonspendable - prepaid items	109,402	(109,402)	-
Assigned for subsequent year's budget appropriation	292,788	(292,788)	-
Unassigned	2,277,070	(2,277,070)	-
	2,679,260	(2,679,260)	-
Total liabilities, deferred inflows of resources and fund balance	\$ 6,750,556		
NET POSITION			
Net investment in capital assets		3,768,988	3,768,988
Unrestricted		3,075,967	3,075,967
		\$ 6,844,955	\$ 6,844,955

The accompanying notes are an integral part of this statement.

Muskegon Area District Library
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE—STATEMENT OF ACTIVITIES**
 For the year ended December 31, 2021

	Revenues and Expenditures - Modified Accrual	Adjustments	Statement of Activities - Full Accrual
REVENUES			
Property taxes	\$ 3,876,708	\$ -	\$ 3,876,708
Intergovernmental revenues			
Federal	161,100	-	161,100
State	218,414	-	218,414
Charges for services	7,897	-	7,897
Fines and forfeitures	207,882	-	207,882
Investment earnings (loss)	(10,589)	-	(10,589)
Contributions	26,422	-	26,422
Reimbursements	6,931	-	6,931
Other	115,716	-	115,716
	<hr/>		
Total revenues	4,610,481	-	4,610,481
EXPENDITURES			
Current			
Salaries and wages	1,878,731	21,126	1,899,857
Fringe benefits	829,919	(295,314)	534,605
Operating supplies	159,444	-	159,444
Repairs and maintenance	93,387	-	93,387
Grant expenditures	158,427	-	158,427
Professional services	36,663	-	36,663
Utilities	10,510	-	10,510
Insurance	20,971	-	20,971
Travel	14,549	-	14,549
Contracted services	454,940	-	454,940
Telephone	116,818	-	116,818
Occupancy	13,813	-	13,813
Other	346,788	-	346,788
Debt service			
Principal	9,477	(9,477)	-
Interest and fees	983	-	983
Capital outlay	889,076	(843,997)	45,079
Depreciation	-	525,914	525,914
	<hr/>		
Total expenditures	5,034,496	(601,748)	4,432,748
Change in fund balance—net position	(424,015)	601,748	177,733
Fund balance—net position at beginning of year	3,103,275	3,563,947	6,667,222
	<hr/>		
Fund balance—net position at end of year	\$ 2,679,260	\$ 4,165,695	\$ 6,844,955

The accompanying notes are an integral part of this statement.

Muskegon Area District Library
STATEMENT OF NET POSITION
Fiduciary Funds
December 31, 2021

	Other Post- Employment Benefit Trust Fund
ASSETS	
Cash and investments	\$ 1,040,558
LIABILITIES	<u>-</u>
NET POSITION	
Restricted for other post-employment benefits	<u><u>\$ 1,040,558</u></u>

The accompanying notes are an integral part of this statement.

Muskegon Area District Library
STATEMENT OF CHANGES IN NET POSITION
 Fiduciary Funds
 For the year ended December 31, 2021

	Other Post- Employment Benefit Trust Fund
ADDITIONS	
Investment earnings	\$ 129,333
DEDUCTIONS	
Benefit payments	8,162
Administrative expenses	<u>1,789</u>
Total deductions	<u>9,952</u>
Change in net position	119,381
Net position at beginning of year, as restated	<u>921,177</u>
Net position at end of year	<u><u>\$ 1,040,558</u></u>

The accompanying notes are an integral part of this statement.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Library was established in October 2005 by a district library agreement between Muskegon County, Blue Lake Township, Casnovia Township, Cedar Creek Township, Dalton Township, Egelston Township, Fruitland Township, Holton Township, Laketon Township, City of Montague, Montague Township, Moorland Township, City of Muskegon Heights, Muskegon Charter Township, City of North Muskegon, City of Norton Shores, Ravenna Township, City of Roosevelt Park, Sullivan Township, and White River Township pursuant to the District Library Establishment Act. The district of the Muskegon Area District Library shall consist of all that territory which is located in the jurisdictional limits of Muskegon County except Whitehall Township and those areas located within the jurisdictional boundaries of the White Lake Community Library, Fruitport District Library or the Hackley Public Library. The Library is governed by an eight member Library Board. Participating municipalities are divided into seven regions from which appointments are made in addition to one appointment by Muskegon County at large. The Library is administered by a director appointed by the Board. The Library is primarily funded through a property tax levy on property within the Library district, fines, fees and state aid.

Generally accepted accounting principles require that if the Library is considered to be financially accountable over other organizations, those organizations should be included as component units in the Library's financial statements. Since no organizations met this criterion, none are included in the financial statements.

Basis of Presentation—Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Library. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. The Library does not have any business-type activities.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds columns. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The fund financial statements provide information about the Library's governmental funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Since the Library only has one governmental fund, no separate columns have been provided.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Basis of Presentation—Government-wide and Fund Financial Statements—Continued

The Library reports the following major governmental fund:

The General Fund is the Library’s primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

Additionally, the Library reports the following fund type:

The Other Post-Employment Benefit Trust Fund is used to report resources that are administered through irrevocable trusts for the benefit of Library employees and retirees.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the Library.

The fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Investments

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

Investments for the Library are reported at fair value (generally based on quoted market prices).

The Library has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Library to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

The Other Post-Employment Benefits Trust Fund is held in trust by the Municipal Employees' Retirement System (MERS) and is subject to the investment policies of MERS and State of Michigan statutes allowing diverse investments in stocks, corporate and government bonds, mortgages, real estate, and other investments.

The component unit's cash and investments are maintained within the Library's investment pool.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, library books, periodicals, etc. and equipment are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year with exception of library books, periodicals, etc. which are all recorded as capital assets.

As the Library constructs or acquires additional capital assets each period they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land and construction in progress are not depreciated. The other property and equipment of the Library are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Years</u>
Building and improvements	5-40
Library books, periodicals, etc.	5
Furniture and equipment	3-10

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Defined Benefit Plan

The Library offers a defined benefit pension plan to its employees through Municipal Employees Retirement System (MERS). The Library records a net pension liability for the difference between the total pension liability calculated by the actuary and the Plan's fiduciary net position. For 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 Plan and additions to/deductions from the Plan's 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.

Other Postemployment Benefit Costs

The Library offers a defined benefit retiree healthcare benefits to retirees. The Library records a net other postemployment benefit (OPEB) liability for the difference between the total OPEB liability calculated by the actuary and the OPEB Plan's fiduciary net position. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. 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.

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 assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position Flow Assumption

Sometimes the Library will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted 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

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

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Library's highest level of decision-making authority. The Library Board is the highest level of decision-making authority for the Library that can, by formal action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by formal action remains in place until a similar action is taken (another formal action) 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 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 only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

Property Taxes

All trade and property tax receivables are shown net of allowance for uncollectibles.

Property taxes are collected and forwarded to the Library by the participating municipalities. Taxes are levied and lien on December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollected real property taxes as of the following March 1 are turned over by the Library to the County for collection. The County advances the Library all of these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Library. Taxes levied on December 1 are recorded as receivables and deferred inflows. Taxes are recognized as revenue (and become available for appropriation) in the calendar year following the levy.

The 2020 state taxable value for real/personal property of the Library totaled approximately \$3,080,000,000. The ad valorem taxes levied consisted of 1.245 mills for operation.

Compensated Absences

The Library's employees are granted vacation and sick leave in varying amounts based upon length of service and position. Unused vacation days are paid to employees upon termination.

The liability for these compensated absences is accrued when incurred in the government-wide financial statements. The current portion of this liability is estimated based on historical trends. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
 December 31, 2021

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The appropriated budget is prepared by individual revenue and expenditure line item. The legal level of budgetary control is the individual line item. The Library Board made several supplemental budgetary appropriations throughout the year.

All annual appropriations lapse at the end of the fiscal year.

NOTE C—DEPOSITS AND INVESTMENTS

As of December 31, 2021, the Library had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's rating	Percent
Money market mutual fund	\$ 12,665	31	not rated	0.8 %
Negotiable certificates of deposit	201,105	748	not rated	13.0
U.S. agency obligations	630,027	782	AA+	40.7
U.S. treasury securities	705,038	1203	AA+	45.5
MERS investment funds	1,040,558	N/A	not rated	N/A
Total fair value	\$ 2,589,393			100.0 %
Portfolio weighted average maturity		1028		

Deposit and Investment Risks

Interest Rate Risk

The Library does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments in commercial paper and corporate bonds to the two highest classifications issues by nationally recognized statistical rating organizations. The Library has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The Library does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Library's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Deposit and Investment Risks—Continued

Custodial Credit Risk - Deposits

The Library does not have a custodial credit risk policy for 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 December 31, 2021, \$1,098,001 of the Library's bank balance of \$1,348,003 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments

The Library does not have a custodial credit risk policy for investments. In 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.

Foreign Currency Risk

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

NOTE D—FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Library has the ability to access.

Level 2 Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE D—FAIR VALUE MEASUREMENTS—Continued

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021.

Money market funds: Valued at amortized cost which approximates fair value.

Negotiable certificates of deposit: Valued at the closing price reported on the active market on which the individual securities are traded.

U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

MERS investment funds: The assets are valued based upon the Library’s allocable share of the MERS (Pool) pooled investment portfolio. The allocable share is based on the value of the underlying assets owned by the Pool, minus their liabilities.

The assets managed by others are valued monthly by the Pool and are allocated based upon each organization’s calculated share of the Pool’s pooled investment portfolios. Each entity with an interest within the pooled investments received statements from the Pool indicating the additions to the investment (via contributions), withdrawals from the investment, and the investment returns allocated via a unitization process. The Library calculates the fair value of its share of the pooled investment assets held by the Pool based on the estimated fair value of the underlying assets. The Pool controls the investments and makes all management and investment decisions.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Library believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Library’s assets at fair value on a recurring basis as of December 31, 2021:

	Assets at Fair Value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Money market mutual fund	\$ -	\$ 12,665	\$ -	\$ 12,665
Negotiable certificates of deposit	201,105	-	-	201,105
U.S. agency obligations	630,027	-	-	630,027
U.S. treasury securities	705,038	-	-	705,038
MERS investment funds	-	1,040,558	-	1,040,558
Total assets at fair value	\$ 1,536,170	\$ 1,053,223	\$ -	\$ 2,589,393

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE E—CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 was as follows:

	Balance January 1, 2021	Additions	Deductions	Balance December 31, 2021
Capital assets, not being depreciated:				
Land	\$ 98,400	\$ -	\$ -	\$ 98,400
Construction in progress	135,640	27,800	135,640	27,800
Total capital assets, not being depreciated	234,040	27,800	135,640	126,200
Capital assets, being depreciated:				
Building and improvements	2,638,316	236,974	-	2,875,290
Library books, periodicals, etc.	2,485,101	428,043	383,924	2,529,220
Furniture and equipment	404,826	286,820	-	691,646
Total capital assets, being depreciated	5,528,243	951,837	383,924	6,096,156
Less accumulated depreciation:				
Building and improvements	317,522	168,102	-	485,624
Library books, periodicals, etc.	1,676,691	313,191	383,924	1,605,958
Furniture and equipment	278,856	44,621	-	323,477
Total accumulated depreciation	2,273,069	525,914	383,924	2,415,059
Total capital assets, being depreciated, net	3,255,174	425,923	-	3,681,097
Capital assets, net	\$ 3,489,214	\$ 453,723	\$ 135,640	\$ 3,807,297

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE F—LONG-TERM LIABILITIES

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Library for the year ended December 31, 2021:

	<u>Balance January 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2021</u>	<u>Due Within One Year</u>
Direct borrowing and direct placements					
Capital lease	\$ 47,786	\$ -	\$ 9,477	\$ 38,309	\$ 9,686
Compensated absences	226,332	140,843	119,717	247,458	37,119
	\$ 274,118	\$ 140,843	\$ 129,194	\$ 285,767	\$ 46,805

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Balance</u>
Capital lease	2.188%	December 2025	\$ 38,309

Annual debt service requirements to maturity for direct borrowing and direct placement as of December 31, 2021 follow:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	
	<u>Notes from Direct Borrowings and Direct Placements</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 9,686	\$ 741
2023	9,900	309
2024	10,119	309
2025	8,604	87
	\$ 38,309	\$ 1,446

NOTE G—OTHER INFORMATION

Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters for which the Library carries commercial insurance. Liabilities in excess of insurance are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There have been no losses in excess of insurance in the prior three years.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE G—OTHER INFORMATION—Continued

Community Foundation

The Community Foundation for Muskegon County has established various endowment funds for the Library which have not been included in the financial statements. These funds are accounted for and administered by the Community Foundation for Muskegon County. At December 31, 2021, these funds were valued at approximately \$304,000.

NOTE H—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Defined Benefit Pension Plan—MERS

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 Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided

The Library's defined benefit pension 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 Plan covers all full-time employees hired after March 2001.

For employees hired prior to December 1, 2010, benefits provided by the plan have a multiplier of 2.5% and the vesting period is 10 years. Normal retirement age is 60 or age 55 with 25 years of service, with a reduced retirement at age 50 with 25 years of service or age 55 with 15 years of service. Final average compensation is calculated based on 5 years.

For employees hired after December 1, 2010, benefits provided by the plan have a multiplier of 2.25% and the vesting period is 10 years. Normal retirement age is 60 with a reduced retirement at age 50 with 25 years of service or age 55 with 15 years of service. Final average compensation is calculated based on 5 years.

Employees Covered by Benefit Terms

At December 31, 2020 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	7
Active employees	26
Total employees covered by MERS	<u><u>41</u></u>

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
 December 31, 2021

NOTE H—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Defined Benefit Pension Plan—MERS—Continued

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.

For the year ended December 31, 2021, the Library’s contributions rate was 7.91% based on annual covered payroll with \$116,165 of additional contributions. Employees are required to contribute from 2.25% to 2.34%.

Net Pension Liability

The Library’s net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3 percent
Investment rate of return	7.35 percent, net of administrative and investment expenses including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.0 percent long-term wage inflation assumption would be consistent with a price inflation of 3-4 percent. Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50 percent Male and 50 percent Female blend.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study of 2014 through 2018.

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

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global equity	60.0%	7.45%	4.65%	2.50%	3.15%
Global fixed income	20.0%	4.90%	0.75%	2.50%	0.25%
Private assets	20.0%	9.50%	1.95%	2.50%	1.45%
	<u>100.0%</u>		<u>7.35%</u>		<u>4.85%</u>

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE H—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Defined Benefit Pension Plan—MERS—Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.6 percent in 2020. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Library contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make 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.

Changes in the Net Pension Liability

	Increase (Decrease)		Net
	Total Pension	Plan	Pension
	Liability (a)	Fiduciary	Liability
		Position (b)	(a)-(b)
Balance at January 1, 2020	\$ 3,118,388	\$ 2,743,100	\$ 375,288
Changes for the year			
Service costs	138,988	-	138,988
Interest	237,594	-	237,594
Experience differences	(42,532)	-	(42,532)
Changes in assumptions	148,088	-	148,088
Contributions - employer	-	238,288	(238,288)
Contributions - employee	-	28,987	(28,987)
Net investment income	-	379,661	(379,661)
Administrative expenses	-	(5,706)	5,706
Benefit payments including refund of employee contributions	(123,303)	(123,303)	-
Net Changes	358,835	517,927	(159,092)
Balance at December 31, 2020	\$ 3,477,223	\$ 3,261,027	\$ 216,196

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
 December 31, 2021

NOTE H—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Defined Benefit Pension Plan—MERS—Continued

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

The following presents the net pension liability of the Library, calculated using the discount rate of 7.6 percent, as well as what the Library's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.6 percent) or 1-percentage-point higher (8.6 percent) than the current rate:

	1% Decrease (6.6%)	Current Discount Rate (7.6%)	1% Increase (8.6%)
Library's net pension liability (asset)	\$ 640,332	\$ 216,196	\$ (141,372)

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expense.

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

For the year ended December 31, 2021, the Library recognized pension expense of \$104,379. At December 31, 2021, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ 22,102	\$ 68,144
Differences in assumptions	174,153	-
Excess (deficit) investment returns	-	110,770
Contributions subsequent to the measurement date*	311,110	-
Total	\$ 507,365	\$ 178,914

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending December 31, 2022.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
 December 31, 2021

NOTE H—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Defined Benefit Pension Plan—MERS—Continued

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—Continued

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

Year Ending December 31,	Amount
2022	\$ 15,035
2023	35,281
2024	(20,678)
2025	(12,297)

Payables to the Pension Plan

At December 31, 2021 the Library had no payables to the defined benefit pension plan.

NOTE I— OTHER POST-EMPLOYMENT BENEFITS

Retiree Healthcare Plan

Plan Description

The Organization's defined benefit OPEB Plan, the Muskegon Area District Library Retiree Health Plan (OPEB Plan), provides healthcare benefits to certain employees upon retirement. The Plan is a single-employer defined benefit plan administered by the Organization. The benefits are provided under collective bargaining agreements and at the discretion of the Organization.

Benefits Provided

The OPEB Plan provides a stipend for medical insurance for eligible retirees who retire at the age of 50 with 25 years of service, with reduced benefits for eligible retirees who retire at the age of 55 with 20 years of service or at the age of 60 with 15 years of service.

Employees Covered by Benefit Terms

At the December 31, 2021 valuation, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	-
Active employees	5
Total employees covered by OPEB Plan	9

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
 December 31, 2021

NOTE I— OTHER POST-EMPLOYMENT BENEFITS

Retiree Healthcare Plan—Continued

Contributions

The OPEB Plan’s funding policy is that the Organization will make discretionary contributions. There are no long-term contracts for contributions to the OPEB Plan. The OPEB Plan has no legally required reserves. For the year ended December 31, 2021, the Organization made no payments for postemployment healthcare benefits for current retirees.

Net OPEB Liability

The Organization’s net OPEB liability (asset) was measured as of December 31, 2021, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as December 31, 2020, which was rolled forward to December 31, 2021.

Actuarial Assumptions

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.5 percent
Investment rate of return	7.35 percent (including inflation)
Healthcare cost trend rates	Pre-65: 8.25 percent graded down to 4.5 percent over 15 years Post-65: 6.5 percent graded down to 4.5 percent over 8 years

Mortality

Mortality rates were as set forth in the 2010 Public Employees and Retirees, head-count weighted, MP-2020 improvement scale.

Investment Rate of Return

The long-term rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan expense 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. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan’s target asset allocation as of December 31, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return (including inflation)
Global Equity	60.0%	5.25%
Global Fixed Income	20.0%	1.25%
Private Assets	20.0%	7.25%

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE I—OTHER POST-EMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Investment Rate of Return

The sum of each target allocation times its long-term expected real rate, plus inflation, is 7.35 percent.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.35 percent. The projection of cash flows to determine the discount rate assumed that no further contributions will be made to the trust. Based on this assumption, the OPEB Plan’s fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the “depletion date”), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the total OPEB liability. The discount rate used to calculate the liability at the beginning of the year was 7.35 percent.

Changes in the Net OPEB Asset

	Increase (Decrease)		Net OPEB
	Total OPEB Liability (a)	Plan Fiduciary Position (b)	(Asset) (a)-(b)
Balance at January 1, 2021	\$ 395,727	\$ 921,177	\$ (525,450)
Changes for the year			
Service cost	6,880	-	6,880
Interest	29,292	-	29,292
Difference between expected and actual experience	(3,642)	-	(3,642)
Changes of assumptions	(10,968)	-	(10,968)
Net investment income	-	129,332	(129,332)
Administrative expenses	-	(1,789)	1,789
Benefit payments including refund of employee contributions	(8,162)	(8,162)	-
Net changes	13,400	119,381	(105,981)
Balance at December 31, 2021	\$ 409,127	\$ 1,040,558	\$ (631,431)

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
 December 31, 2021

NOTE I—OTHER POST-EMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset of the Library, calculated using the discount rate of 7.35 percent, as well as what the Library’s net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.35 percent) or 1-percentage-point higher (8.35 percent) than the current rate:

	1% Decrease (6.35%)	Current Discount Rate (7.35%)	1% Increase (8.35%)
Organization's net OPEB asset	\$ 591,893	\$ 631,431	\$ 665,251

Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rate

The following presents the Library’s net OPEB asset calculated using assumed trend rates would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease (7.25%)	Current Healthcare Cost Trend Rates (8.25%)	1% Increase (9.25%)
Organization's net OPEB asset	\$ 672,800	\$ 631,431	\$ 582,713

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB Plan’s fiduciary net position is not available in a separately issued financial report. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the Organization’s fiduciary net position have been determined on the same basis as they are reported by the Organization. For these purposes, 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.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
 December 31, 2021

NOTE I—OTHER POST-EMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2021, the Organization recognized OPEB expense of \$(90,746). At December 31, 2021, the Organization reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$ 17,882
Differences in assumptions	97	3,404
Net difference between projected and actual net investment income	-	78,332
Total	\$ 97	\$ 99,618

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

Year Ending December 31,	Amount
2022	\$ (34,368)
2023	(30,611)
2024	(22,143)
2025	(12,399)

Payables to the OPEB Plan

At December 31, 2021, the Library did not have a payable to the OPEB Plan.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE J—TAX ABATEMENTS

Industrial Facilities Exemption

Municipalities within the Library boundaries entered into property tax abatement agreements with local business under the Industrial Development Districts Act (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. The IFT on new facilities and non-industrial property, such as some high-tech personal property, is computed at half the local property tax millage. This amounts to a reduction in property taxes of approximately 50 percent.

Muskegon Township

For the year ended December 31, 2021, Library property taxes were reduced by \$578 under this program.

City of Montague

For the year ended December 31, 2021, Library property taxes were reduced by \$807 under this program.

City of Norton Shores

For the year ended December 31, 2021, Library property taxes were reduced by \$8,926 under this program.

All other Municipalities

For the year ended December 31, 2021, Library property taxes were reduced by \$3,722 under this program.

NOTE K—UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement 87—*Leases* was issued by the GASB in June 2017 and will be effective for the Library's 2022 fiscal year. The objective of this Statement is to better meet the information needs of financial statements users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring 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 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, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement 96—*Subscription-Based Information Technology Arrangements* was issued by the GASB in May 2020 and will be effective for the Library's 2023 fiscal year. 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.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE L— COMMITMENTS

At December 31, 2021, the Library had a two contract agreements outstanding of approximately \$295,000 related to the construction and renovation of various locations.

NOTE M—RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance—governmental fund		\$ 2,679,260
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund.		
Cost of capital assets	\$6,222,356	
Accumulated depreciation	<u>(2,415,059)</u>	3,807,297
Deferred outflows and inflows of resources related to pensions and other post-employment benefits are not reported in the governmental funds.		
Deferred outflows of resources - related to pensions	507,365	
Deferred inflows of resources - related to pensions	(178,914)	
Deferred outflows of resources - related to other post-employment benefits	97	
Deferred inflows of resources - related to other post-employment benefits	<u>(99,618)</u>	228,930
The net other post-employment benefits asset is not an available resource and, therefore, is not reported in the governmental fund		
		631,431
Long-term obligations in governmental activities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Capital lease	(38,309)	
Compensated absences	(247,458)	
Net pension liability and related deferred outflows/inflows of resources	<u>(216,196)</u>	<u>(501,963)</u>
Net position of governmental activities		<u><u>\$ 6,844,955</u></u>

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE M—RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS—Continued

Net change in fund balance—total governmental fund \$ (424,015)

Amounts reported for government activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures.

However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	\$ (525,914)	
Capital outlay	<u>843,997</u>	318,083

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in compensated absences	(21,126)	
Change in net pension liability and related deferred outflows/inflows of resources	204,568	
Change in net other post employment benefits liability and related deferred outflows/inflows of resources	<u>90,746</u>	274,188

The issuance of long-term debt provides current financial resources to governmental funds, but increases liabilities in the Statement of Net Position. Repayment of debt is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position.

Repayment of principal on long-term debt		<u>9,477</u>
Change in net position in governmental activities		<u><u>\$ 177,733</u></u>

NOTE N— CHANGE IN ACCOUNTING PRINCIPLE

The net position of the fiduciary activities and Other Post-Employment Benefit Trust were restated effective January 1, 2021 to reflect the implementation of GASB Statement No. 84, *Fiduciary Activities*.

GASB Statement 84 was issued by the GASB in January 2017 and is effective for the Library’s 2021 fiscal year. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund on the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

		Other Post- Employment Benefit Trust Fund
	\$	<u> </u>
Net position at January 1, 2021	-	
Other Post-Employment Benefit Trust Fund		921,177
Net position at January 1, 2021 as restated	<u>\$</u>	<u><u>921,177</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

Muskegon Area District Library
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
For the year ended December 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 3,836,591	\$ 3,877,701	\$ 3,876,708	\$ (993)
Intergovernmental revenues				
Federal	-	175,000	161,100	(13,900)
State	112,549	217,639	218,414	775
Charges for services	18,000	8,000	7,897	(103)
Fines and forfeitures	203,000	208,575	207,882	(693)
Investment earnings (loss)	35,000	3,000	(10,589)	(13,589)
Contributions	5,000	5,000	26,422	21,422
Reimbursements	18,000	11,000	6,931	(4,069)
Other	100,000	109,797	115,716	5,919
Total revenues	4,328,140	4,615,712	4,610,481	(5,231)
Expenditures				
Current				
Salaries and wages	1,863,787	1,980,508	1,878,731	101,777
Fringe benefits	833,939	850,970	829,919	21,051
Operating supplies	176,000	166,000	159,444	6,556
Repairs and maintenance	117,000	120,000	93,387	26,613
Grant expenditures	-	160,000	158,427	1,573
Professional services	46,050	40,270	36,663	3,607
Utilities	16,300	13,200	10,510	2,690
Insurance	28,300	28,300	20,971	7,329
Travel	21,950	16,575	14,549	2,026
Contracted services	460,000	473,722	454,940	18,782
Telephone	120,800	121,600	116,818	4,782
Occupancy	11,000	13,813	13,813	-
Other	336,200	382,140	346,788	35,352
Debt service				
Principal	15,000	8,683	9,477	(794)
Interest and fees	-	983	983	-
Capital outlay	761,500	967,000	889,076	77,924
Total expenditures	4,807,826	5,343,764	5,034,496	309,268
Net change in fund balance	<u>\$ (479,686)</u>	<u>\$ (728,052)</u>	(424,015)	<u>\$ 304,037</u>
Fund balance at beginning of year			3,103,275	
Fund balance at end of year			<u>\$ 2,679,260</u>	

Muskegon Area District Library
Required Supplementary Information
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last Ten Fiscal Years (Amounts were determined as of December 31 of each fiscal year)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
TOTAL PENSION LIABILITY						
Service cost	\$ 138,988	\$ 124,337	\$ 117,974	\$ 111,268	\$ 94,052	\$ 104,181
Interest	237,594	227,628	206,680	190,275	189,533	168,674
Differences between expected and actual experience	(42,532)	(47,907)	44,203	(16,125)	(213,257)	(27,326)
Changes of assumptions	148,088	92,805	-	-	-	143,399
Benefit payments, including refunds of employee contributions	(123,303)	(123,304)	(97,087)	(70,314)	(69,007)	(49,462)
Net change in total pension liability	358,835	273,559	271,770	215,104	1,321	339,466
Total pension liability at beginning of year	3,118,388	2,844,829	2,573,059	2,357,955	2,356,634	2,017,168
Total pension liability at end of year (a)	\$ 3,477,223	\$ 3,118,388	\$ 2,844,829	\$ 2,573,059	\$ 2,357,955	\$ 2,356,634
PLAN FIDUCIARY NET POSITION						
Contributions-employer	\$ 238,288	\$ 209,372	\$ 169,151	\$ 146,216	\$ 97,945	\$ 103,140
Contributions-employee	28,987	26,265	24,270	22,144	18,421	19,012
Net investment income	379,661	323,061	(96,174)	267,303	199,830	(26,398)
Benefit payments, including refunds of employee contributions	(123,303)	(123,304)	(97,087)	(70,314)	(69,007)	(49,462)
Administrative expense	(5,706)	(5,570)	(4,624)	(4,214)	(3,938)	(3,770)
Net change in plan fiduciary net position	517,927	429,824	(4,464)	361,135	243,251	42,522
Plan fiduciary net position at beginning of year	2,743,100	2,313,276	2,317,740	1,956,605	1,713,354	1,670,832
Plan fiduciary net position at end of year (b)	\$ 3,261,027	\$ 2,743,100	\$ 2,313,276	\$ 2,317,740	\$ 1,956,605	\$ 1,713,354
Library's net pension liability at end of year (a)-(b)	\$ 216,196	\$ 375,288	\$ 531,553	\$ 255,319	\$ 401,350	\$ 643,280
Plan fiduciary net position as a percentage of the total pension liability	93.78%	87.97%	81.32%	90.08%	82.98%	72.70%
Covered employee payroll	\$ 1,325,258	\$ 1,207,751	\$ 1,079,931	\$ 963,823	\$ 808,164	\$ 887,423
Library's net pension liability as a percentage of covered employee payroll	16.31%	31.07%	49.22%	26.49%	49.66%	72.49%

Notes to Schedule

Additional actuarial data is not available and will be provided in subsequent years.

Muskegon Area District Library
Required Supplementary Information
PENSION SYSTEM SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years (Amounts were determined as of December 31 of each fiscal year)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contribution	\$ 142,476	\$ 165,140	\$ 115,020	\$ 107,678	\$ 115,317	\$ 93,445	\$ 103,140	\$ 87,579	\$ 72,000	\$ 63,000
Contributions in relation to the actuarially determined contribution	311,110	238,288	211,035	169,151	146,392	97,945	103,140	87,579	72,000	63,000
Contribution deficiency (excess)	<u>\$ (168,634)</u>	<u>\$ (73,148)</u>	<u>\$ (96,015)</u>	<u>\$ (61,473)</u>	<u>\$ (31,075)</u>	<u>\$ (4,500)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	Not available	\$ 1,325,258	\$ 1,207,751	\$ 1,079,931	\$ 963,823	\$ 808,164	\$ 887,423	\$ 670,473	\$ 661,171	\$ 670,705
Contributions as percentage of covered employee payroll	Not available	18.0%	17.5%	15.7%	15.2%	12.1%	11.6%	13.1%	10.9%	9.4%

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, Closed
Remaining amortization period	18 years
Asset Valuation method	5-year smoothed market
Inflation	2.5 percent
Salary increases	3 percent in the long-term
Investment rate of return	7.35 percent, net of investment and administrative expenses
Retirement age	Varies depending on plan adoption
Mortality	50 percent Female/50 percent Male 2014 Group Annuity Mortality Table

Muskegon Area District Library
Required Supplementary Information
RETIREE HEALTHCARE SYSTEM SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
Last Ten Fiscal Years (Amounts were determined as of December 31 of each fiscal year)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
TOTAL OPEB LIABILITY					
Service cost	\$ 6,880	\$ 7,866	\$ 6,906	\$ 8,158	\$ 7,571
Interest	29,292	33,581	30,841	32,567	29,203
Differences between expected and actual experience	(3,642)	(91,200)	(1,803)	(65,647)	(1,925)
Changes of assumptions	(10,968)	531	30,165	10,959	14,078
Benefit payments, including refunds of employee contributions	(8,162)	(8,159)	(8,103)	(6,004)	(4,896)
Net change in total OPEB liability	13,400	(57,381)	58,006	(19,967)	44,031
Total OPEB liability at beginning of year	395,727	453,108	395,102	415,069	371,084
Total OPEB liability at end of year (a)	\$ 409,127	\$ 395,727	\$ 453,108	\$ 395,102	\$ 415,115
PLAN FIDUCIARY NET POSITION					
Contributions-employer	\$ -	\$ -	\$ -	\$ 6,004	\$ 5,152
Net investment income	129,332	108,782	98,994	(27,705)	89,864
Benefit payments, including refunds of employee contributions	(8,162)	(8,159)	(14,108)	(6,004)	(3,711)
Administrative expense	(1,789)	(1,473)	(1,410)	(1,872)	(1,738)
Net change in plan fiduciary net position	119,381	99,150	83,476	(29,577)	89,567
Plan fiduciary net position at beginning of year	921,177	822,027	738,551	768,128	678,561
Plan fiduciary net position at end of year (b)	\$ 1,040,558	\$ 921,177	\$ 822,027	\$ 738,551	\$ 768,128
Organization's net OPEB asset at end of year (a)-(b)	\$ (631,431)	\$ (525,450)	\$ (368,919)	\$ (343,449)	\$ (353,013)
Plan fiduciary net position as a percentage of the total OPEB asset	254.34%	232.78%	181.42%	186.93%	185.04%
Covered employee payroll	\$ 325,836	\$ 275,069	\$ 273,855	\$ 266,178	Not Available
Organization's net OPEB asset as a percentage of covered employee payroll	193.79%	191.02%	134.71%	129.03%	Not Available

Notes to Schedule

Additional actuarial data is not available and will be provided in subsequent years.

Muskegon Area District Library
Required Supplementary Information
RETIREE HEALTHCARE SYSTEM SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years (Amounts were determined as of December 31 of each fiscal year)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contribution	\$ -	\$ -	\$ (66,290)	\$ (59,178)	\$ (55,325)	\$ (35,472)	\$ (33,703)	\$ (35,021)	\$ (32,905)	\$ (35,058)
Contributions in relation to the actuarially determined contribution	-	-	-	6,004	5,152	32,422	28,548	30,749	48,660	44,466
Contribution deficiency (excess)	\$ -	\$ -	\$ (66,290)	\$ (65,182)	\$ (60,477)	\$ (67,894)	\$ (62,251)	\$ (65,770)	\$ (81,565)	\$ (79,524)
Covered employee payroll	\$ 325,836	\$ 275,069	\$ 273,855	\$ 266,178	Not Available	Not Available	\$ 508,041	\$ 508,041	\$ 208,041	\$ 534,791
Contributions as percentage of covered employee payroll	Not Available	Not Available	-24.2%	Not Available	Not Available	Not Available	-6.6%	-6.9%	-15.8%	Not Available

Notes to Schedule

Additional actuarial data is not available and will be provided in subsequent years.

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31, 2021.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal (level percentage of compensation)
Amortization method	Level percentage of payroll, Closed
Remaining amortization period	5 years
Asset valuation method	Equal to market value of assets
Salary increases	3.5 percent
Investment rate of return	7.35 percent (including inflation), net of administrative and investment expenses
Retirement age	55 - 70 years of age
Mortality	Mortality rates were as set forth in the Public General 2010 Employee and Healthy Retiree, headcount-weighted, with MP-2020 improvement scale.

Muskegon Area District Library
 Required Supplementary Information
RETIREE HEALTHCARE SYSTEM SCHEDULE OF INVESTMENT RETURNS
 Last Ten Fiscal Years (Amounts were determined as of December 31 of each fiscal year)

	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	14.12%	13.31%	13.55%	-3.63%

Notes to Schedule

Additional data is not available and will be provided in subsequent years