

Muskegon Area District Library
Muskegon, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

December 31, 2022



Muskegon Area District Library

C O N T E N T S

Independent Auditor’s Report..... 1

Management's Discussion and Analysis4

Basic Financial Statements

 Balance Sheet—Statement of Net Position 10

 Statement of Revenues, Expenditures and Changes
 in Fund Balance—Statement of Activities..... 11

 Fiduciary Funds

 Statement of Net Position.....12

 Statement of Changes in Net Position.....13

 Notes to Financial Statements 14

Required Supplementary Information

 Budgetary Comparison Schedule 39

 Schedule of Changes in Net Pension Liability and Related Ratios40

 Pension System Schedule of Contributions.....41

 Retiree Healthcare System Schedule of Changes in the
 Net OPEB Liability and Related Ratios42

 Retiree Healthcare System Schedule of Contributions43

 Retiree Healthcare System Schedule of Investment Returns44

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, 2022, 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, 2022, 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.

Board of Directors
Muskegon Area District Library
Page 2

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 L to the financial statement, the Library implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Board of Directors
Muskegon Area District Library
Page 3

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 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.



Muskegon, Michigan
June 9, 2023

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 131 hotspots available as well as another 25 iPad kits. MADL was successful in receiving an ARPA grant for 25 iPad kits which include an iPad, hotspot, keyboard, and mouse and available for the public to check out.
- The Ravenna Branch Storyville project was completed in November 2022 and saw 536 visitors in less than 2 months. This Storyville project was made possible by a group of Ravenna citizens who raised and donated \$78,000 towards the project. The remaining cost was paid out of the Storyville fund held by the Muskegon Community Foundation.
- The branch remodel at the Ravenna Branch Library was completed at the same time as the Storyville project. Both projects proved to be a wonderful transformation of the library and services for Ravenna residents and guests.
- The branch remodel at the Holton Branch was completed in June 2022. A wall was removed and now the branch is more open and user friendly.
- A new MADL branch was opened in Laketon Township at 991 Giles Road. An agreement with Reeths-Puffer schools is in place as it will be housed in a Reeths-Puffer building and MADL has provided furnishings, carpet, paint and electrical. This facility opened to the public in August 2022.
- The Bookmobile arrived in August 2021. The Bookmobile greeted 14,729 guests for 2022. The Bookmobile began a shift from public events to public service and has many established public stops as well as many school stop (private).
- MADL made many technological advances in 2022 by adding 4K Projectors, Audio/Video setup for meetings, and televisions for the public at several branches.
- MADL went "Fines Free" in March of 2021 to remove barriers to service. MADL continues to see increases in book circulation and program attendance.
- A successful grant was written for a Tovertafel. The Tovertafel is an award-winning, serious games system for intellectual disability care. It projects interactive images onto a tabletop creating an engaging virtual play space. The Tovertafel is housed at the MADL Library for the Visually & Physically Disabled. Many area care facilities come on a regular basis.

Muskegon Area District Library

Library Management's Discussion and Analysis

MADL wrote a successful ARPA grant and purchased a used 2017 Ford Transit Cargo Van to be used for outreach services. The van was retrofitted with shelving, etc. as well as a MADL wrap and is currently providing outreach services to senior centers, schools, events, etc.

Condensed Financial Information

Statement of Net Position

The Statement of Net Position presents information on all 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 increased due to increase in the net pension and other post-employment assets. 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 increased due to the implementation of GASBS No. 87, Leases, during the year. Noncurrent liabilities decreased due to normal scheduled debt payments and a decrease in compensated absences.

Statement of Net Position

	<u>2022</u>	<u>2021</u>
Current assets and other assets	\$ 7,190,127	\$ 6,750,556
Capital assets, net	4,389,658	4,438,728
Total assets	11,579,785	11,189,284
Deferred outflows of resources	591,817	507,462
Total assets and deferred outflows of resources	12,171,602	11,696,746
Liabilities		
Current	237,481	115,516
Noncurrent	297,109	501,963
Total deferred inflows of resources	534,590	617,479
Total liabilities and deferred inflows of resources	4,635,640	4,234,312
Net position		
Net investment in capital assets	4,124,498	3,768,988
Unrestricted	2,876,874	3,075,967
Total net position	<u>\$ 7,001,372</u>	<u>\$ 6,844,955</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 to give a complete picture.

Statement of Activities

	<u>2022</u>	<u>2021</u>
General revenues		
Property taxes	\$ 3,943,474	\$ 3,876,708
Grants and contributions	291,121	405,936
Fines and forfeitures	190,411	207,882
Other	120,283	119,955
Total revenues	4,545,289	4,610,481
Expenses		
Salaries and wages	1,923,222	1,899,857
Fringe benefits	574,420	534,605
Contracted services	409,115	454,940
Depreciation	601,132	525,914
Other expenses	880,983	1,017,432
Total expenses	4,388,872	4,432,748
Change in net assets	156,417	177,733
Net position at beginning of year	6,844,955	6,667,222
Net position at end of year	<u>\$ 7,001,372</u>	<u>\$ 6,844,955</u>

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

Revenues

- Property tax revenues increased 1.02% due to increasing taxable values. A Headlee Override for the last several years has lowered MADL's millage rate to 1.2230.
- Grants and contributions decreased due to large grants received in the prior year.
- Fines and forfeitures decreased due to lower than anticipated penal fine revenue and the elimination of overdue fine revenue.

Muskegon Area District Library

Library Management's Discussion and Analysis

Expenses

- Salaries and wages increased due to a 2% wage increase per the Teamster's Local 214 contract with MADL.
- Fringe benefits increased due to higher payroll taxes related to the benefit premiums.
- MADL depreciation increased due to depreciation on branch remodels, collection additions, and the new Outreach Van.
- Other expenses decreased due to several budget lines coming in under budget, such as software, contractual services, and electronic services.

The Library's Fund

The analysis of the Library's sole fund, the General Fund, is included on pages 10 and 11. Revenues for 2022 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 11 locations, plus a Bookmobile located throughout Muskegon County. The library system was established in 1938 and in 2018 MADL celebrated its 80th Anniversary.

The Library ended 2022 with a circulation count of 631,115, an increase from 526,059 in 2021 which indicates a good recovery from the COVID-19 pandemic. MADL's return to in-person programs presented an increase in attendance at 22,331 over 14,288 in 2021, Wi-Fi Sessions saw 115,387 sessions over 78,727 in 2021. Storyville visits were up to 12,348 in 2022 over 4,929 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

- Grant revenues were amended upward due to more successful grant writing.
- Penal fines were amended higher to reflect the increase in collections.
- Investment earnings were amended lower due to a calamitous year in the stock market.

Expenditures

- Fringe benefits were amended higher due to higher than anticipated costs.
- The capital outlay budget was increased due to branch remodels that continued in 2022 and the new Laketon Branch and new Outreach Van.

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 losses related to higher 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 \$4,389,658 invested in the building, software, equipment, books, and materials net of depreciation. The Library added \$324,669 in new collection items consisting of new books and various audio/visual materials and \$636,281 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, a note payable for the purchase of equipment, and a lease obligation for the use of a library branch building.

Next Year's Anticipated Budget Factors and Currently Known Facts

The Library's budget for 2023 projects a positive 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 the funds will come from state aid grants to libraries, Universal Service Fund credits, photocopier and 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.

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. Proposal A of 1994 limited the growth of property taxes in 2020, 2021 and 2022 by reducing MADL's millage rate to 1.2230. 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.

Muskegon Area District Library

Library Management's Discussion and Analysis

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.

Many parts of the Strategic Plan are underway. MADL is currently working with Kindred Marketing on a redesign and possible name change for MADL. A new website is in the works. Also, an exciting new program that will allow patrons to check out bikes for use in the summer will begin in summer 2023 at the Muskegon Heights Branch. This has been an amazing partnership with the members of the Muskegon Area Bike Library.

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 now complete in all branches of MADL. This effort was a promise to the public as part of the last millage campaign to provide a better patron experience in all 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 is housed 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. The Family Place Learning Centers continue to reach families in Muskegon County.

MADL received a Great Start Collaborative Grant to purchase and install a permanent Storytrail in Bethlehem Park in Muskegon Heights.

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 continuously evaluates software and usage statistics to make sure we're meeting the needs of Muskegon County.

Director Ron L. Suszek was hired by the MADL Board and began in June of 2022. Ron brings new vision and much library experience and has already had a profound influence on MADL.

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

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 Ron Suszek, 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, 2022

	Balance Sheet - Modified Accrual	Adjustments	Statement of Net Position - Full Accrual
ASSETS			
Cash and cash equivalents	\$ 960,172	\$ -	\$ 960,172
Investments	1,491,846	-	1,491,846
Receivables			
Property taxes	3,891,878	-	3,891,878
Other	393	-	393
Prepaid items	124,746	-	124,746
Capital assets, net			
Nondepreciable	-	98,400	98,400
Depreciable	-	4,291,258	4,291,258
Net pension asset	-	156,872	156,872
Net other post-employment benefits asset	-	564,220	564,220
Total assets	6,469,035	5,110,750	11,579,785
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension	-	504,447	504,447
Related to other postemployment benefits	-	87,370	87,370
Total deferred outflows of resources	-	591,817	591,817
Total assets and deferred outflows of resources	\$ 6,469,035	5,702,567	12,171,602
LIABILITIES			
Accounts payable	\$ 22,945	-	22,945
Accrued liabilities	81,534	-	81,534
Noncurrent liabilities			
Due within one year	-	133,002	133,002
Due in more than one year	-	297,109	297,109
Total liabilities	104,479	430,111	534,590
DEFERRED INFLOWS OF RESOURCES			
Related to pension	-	403,594	403,594
Related to other postemployment benefits	-	44,856	44,856
Property taxes levied for subsequent fiscal year	4,187,190	-	4,187,190
Total deferred inflows of resources	4,187,190	448,450	4,635,640
Total liabilities and deferred inflows of resources	4,291,669	878,561	5,170,230
FUND BALANCE			
Nonspendable - prepaid items	124,746	(124,746)	-
Assigned for subsequent year's budget appropriation	105,880	(105,880)	-
Unassigned	1,946,740	(1,946,740)	-
Total fund balance	2,177,366	(2,177,366)	-
Total liabilities, deferred inflows of resources and fund balance	\$ 6,469,035		
NET POSITION			
Net investment in capital assets		4,124,498	4,124,498
Unrestricted		2,876,874	2,876,874
Total net position		\$ 7,001,372	\$ 7,001,372

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, 2022

	Revenues and Expenditures - Modified Accrual	Adjustments	Statement of Activities - Full Accrual
REVENUES			
Property taxes	\$ 3,943,474	\$ -	\$ 3,943,474
Intergovernmental revenues			
Federal	56,957	-	56,957
State	230,799	-	230,799
Charges for services	18,070	-	18,070
Fines and forfeitures	190,411	-	190,411
Investment earnings (loss)	(52,731)	-	(52,731)
Contributions	31,346	-	31,346
Reimbursements	6,680	-	6,680
Other	120,283	-	120,283
Total revenues	4,545,289	-	4,545,289
EXPENDITURES			
Current			
Salaries and wages	2,005,729	(82,507)	1,923,222
Fringe benefits	794,714	(220,294)	574,420
Operating supplies	132,980	-	132,980
Repairs and maintenance	103,909	-	103,909
Grant expenditures	93,923	(56,959)	36,964
Professional services	27,094	-	27,094
Utilities	12,834	-	12,834
Insurance	27,703	-	27,703
Travel	25,129	-	25,129
Contracted services	409,115	-	409,115
Telephone	110,281	-	110,281
Occupancy	13,632	-	13,632
Other	344,668	-	344,668
Debt service			
Principal	23,492	(23,492)	-
Interest and fees	5,617	-	5,617
Capital outlay	916,363	(876,191)	40,172
Depreciation	-	601,132	601,132
Total expenditures	5,047,183	(658,311)	4,388,872
Change in fund balance—net position	(501,894)	658,311	156,417
Fund balance—net position at beginning of year	2,679,260	4,165,695	6,844,955
Fund balance—net position at end of year	\$ 2,177,366	\$ 4,824,006	\$ 7,001,372

The accompanying notes are an integral part of this statement.

Muskegon Area District Library
STATEMENT OF NET POSITION
Fiduciary Funds
December 31, 2022

	Other Post- Employment Benefit Trust Fund
ASSETS	
Cash and investments	\$ 923,727
LIABILITIES	<u>-</u>
NET POSITION	
Restricted for other post-employment benefits	<u><u>\$ 923,727</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, 2022

	Other Post- Employment Benefit Trust Fund
ADDITIONS	
Employer contributions	\$ 90
Investment earnings (loss)	(108,236)
Total additions	(108,146)
DEDUCTIONS	
Benefit payments	6,982
Administrative expenses	1,703
Total deductions	8,685
Change in net position	(116,831)
Net position at beginning of year	1,040,558
Net position at end of year	\$ 923,727

The accompanying notes are an integral part of this statement.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

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, 2022

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, 2022

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. Right-to-use assets of the Library are amortized using the straight-line method over the shorter of the lease period or estimated useful lives. 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, 2022

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.

Leases Payable

The Library is a lessee for certain noncancelable leases. The Library recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements for each lease.

At the commencement of a lease, the Library initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the Library determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The Library uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Library generally uses its estimated incremental borrowing rate as the discount rate for leases.

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.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

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.

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.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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 liened 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 2021 state taxable value for real/personal property of the Library totaled approximately \$3,200,000,000. The ad valorem taxes levied consisted of 1.236 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.

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.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE C—DEPOSITS AND INVESTMENTS

As of December 31, 2022, the Library had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Months)	S&P	Percent
Money market mutual fund	\$ 8,694	1	not rated	0.6 %
Negotiable certificates of deposit	73,071	8	not rated	4.9
U.S. agency obligations	294,012	10	AA+	19.7
U.S. treasury securities	1,116,069	25	not rated	74.8
MERS investment funds	923,727	N/A	not rated	N/A
Total fair value	\$ 2,415,573			100.0 %
Portfolio weighted average maturity		21		

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, 2022

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, 2022, \$771,058 of the Library's bank balance of \$1,021,060 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, 2022

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, 2022.

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

Negotiable certificates of deposit, U.S. government securities and U.S. agency obligations: 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, 2022:

	Assets at Fair Value as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Money market mutual fund	\$ -	\$ 8,694	\$ -	\$ 8,694
Negotiable certificates of deposit	73,071	-	-	73,071
U.S. agency obligations	294,012	-	-	294,012
U.S. treasury securities	1,116,069	-	-	1,116,069
MERS investment funds	-	923,727	-	923,727
	<hr/>			
Total assets at fair value	\$ 1,483,152	\$ 932,421	\$ -	\$ 2,415,573

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE E—CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 was as follows:

	Balance January 1, 2022 as restated	Additions	Deductions	Balance December 31, 2022
Capital assets, not being depreciated:				
Land	\$ 98,400	\$ -	\$ -	\$ 98,400
Construction in progress	27,800	-	27,800	-
Total capital assets, not being depreciated	126,200	-	27,800	98,400
Capital assets, being depreciated:				
Building and improvements	2,875,290	580,060	-	3,455,350
Library books, periodicals, etc.	2,529,220	324,669	340,054	2,513,835
Furniture and equipment	691,646	56,221	-	747,867
Right-to-use—building	250,343	-	-	250,343
Total capital assets, being depreciated	6,346,499	960,950	340,054	6,967,395
Less accumulated depreciation:				
Building and improvements	485,624	179,301	-	664,925
Library books, periodicals, etc.	1,605,958	340,020	340,054	1,605,924
Furniture and equipment	323,477	63,929	-	387,406
Right-to-use—building	-	17,882	-	17,882
Total accumulated depreciation	2,415,059	601,132	340,054	2,676,137
Total capital assets, being depreciated, net	3,931,440	359,818	-	4,291,258
Capital assets, net	\$ 4,057,640	\$ 359,818	\$ 27,800	\$ 4,389,658

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

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, 2022:

	Balance January 1, 2022 as restated	Additions	Reductions	Balance December 31, 2022	Due Within One Year
Direct borrowing and direct placements					
Installment purchase obligations	\$ 38,309	\$ -	\$ 9,686	\$ 28,623	\$ 9,067
Lease obligations	250,343	-	13,806	236,537	14,362
Compensated absences	247,458	136,640	219,147	164,951	109,573
	\$ 536,110	\$ 136,640	\$ 242,639	\$ 430,111	\$ 133,002

The direct borrowing and placements are comprised of notes and installment loans that are secured by the assets purchased and lease obligations that are secured by the building used. In the event of default, the Library forfeits the assets purchased.

Notes and obligations from direct borrowings and direct placements consist of the following:

	Interest Rate	Date of Maturity	Balance
Direct borrowings and direct placements			
Installment purchase obligations			
2020 installment purchase agreement - Leaf copiers	2.188%	December 2025	\$ 28,623
Lease obligations			
Lease obligation - building	2.00%	December 2035	236,537
			\$ 265,160

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE F—LONG-TERM LIABILITIES—Continued

Annual debt service requirements to maturity for direct borrowing and direct placement as of December 31, 2022 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>
2023	\$ 23,429	\$ 5,052
2024	25,040	4,634
2025	24,987	4,107
2026	16,139	3,687
2027	16,765	3,358
2028-2032	93,828	11,407
2033-2035	64,972	2,037
	<u>\$ 265,160</u>	<u>\$ 34,282</u>

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.

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, 2022, these funds were valued at approximately \$157,000.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE H—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Defined Benefit Pension Plan—MERS

Plan Description

The Library's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. 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 by accessing the MERS website at www.mersofmich.com.

Benefits Provided

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

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	8
Active employees	26
Total employees covered by MERS	<u><u>43</u></u>

Contributions

The Library is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Library may establish contribution rates to be paid by its covered employees.

For the year ended December 31, 2022, the Library had an annual flat-dollar employer contribution to the plan for employees hired prior to December 31, 2010 of \$65,412 in lieu of a percentage of covered employee payroll. These employees are required to contribute 2.34% of gross wages.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE H—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Defined Benefit Pension Plan—MERS—Continued

Contributions—Continued

For the year ended December 31, 2022, the Library contribution rate to the plan for employees hired after December 31, 2010 was 12% based on annual covered payroll. These employees are required to contribute 2.25% of gross wages.

For the year ended December 31, 2022, the Library also made an additional contribution to the plan of \$60,000.

Net Pension Liability

The Library’s net pension liability (asset) was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2021 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	7.00 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 a version of Pub-2010 and fully generational MP-2019.

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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Target Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global equity	60.0%	7.00%	4.20%	2.50%	2.70%
Global fixed income	20.0%	4.50%	0.90%	2.50%	0.40%
Private assets	20.0%	9.50%	1.90%	2.50%	1.40%
	<u>100.0%</u>		<u>7.00%</u>		<u>4.50%</u>

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

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 7.25 percent for 2021. 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 (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at January 1, 2021	\$ 3,477,223	\$ 3,261,027	\$ 216,196
Changes for the year			
Service costs	149,448	-	149,448
Interest	264,450	-	264,450
Experience differences	(111,625)	-	(111,625)
Changes in assumptions	137,602	-	137,602
Contributions - employer	-	311,110	(311,110)
Contributions - employee	-	32,239	(32,239)
Net investment income	-	475,044	(475,044)
Administrative expenses	-	(5,450)	5,450
Benefit payments including refund of employee contributions	(144,690)	(144,690)	-
Net changes	295,185	668,253	(373,068)
Balance at December 31, 2021	\$ 3,772,408	\$ 3,929,280	\$ (156,872)

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

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 (asset) of the Library, calculated using the discount rate of 7.25 percent, as well as what the Library's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Library's net pension liability (asset)	\$ 285,851	\$ (156,872)	\$ (529,428)

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, 2022, the Library recognized pension expense of \$104,379. At December 31, 2022, 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	\$ 14,735	\$ 136,669
Differences in assumptions	236,056	-
Excess (deficit) investment returns	-	266,925
Contributions subsequent to the measurement date*	253,656	-
Total	\$ 504,447	\$ 403,594

*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 (asset) for the year ending December 31, 2023.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
 December 31, 2022

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
2023	\$ (3,497)
2024	(59,456)
2025	(51,075)
2026	(38,775)

Payables to the Pension Plan

At December 31, 2022 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, 2022 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, 2022

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, 2022, 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, 2022, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as December 31, 2022.

Actuarial Assumptions

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

Inflation	2.5 percent
Salary increases	2.0 percent
Investment rate of return	7.00 percent (including inflation)
Healthcare cost trend rates	Pre-65: 7.25 percent graded down to 4.5 percent over 11 years Post-65: 5.5 percent graded down to 4.5 percent over 4 years

Mortality

Mortality rates were as set forth in the 2010 Public General Employees and Healthy Retirees, head-count weighted, MP-2021 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, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return (including inflation)
Global Equity	60.0%	4.50%
Global Fixed Income	20.0%	2.00%
Private Assets	20.0%	7.00%

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

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 7.00 percent.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 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, 2022	\$ 409,127	\$ 1,040,558	\$ (631,431)
Changes for the year			
Service cost	6,032	-	6,032
Interest	30,257	-	30,257
Difference between expected and actual experience	(88,833)	-	(88,833)
Changes of assumptions	9,906	-	9,906
Contributions - employer	-	90	(90)
Net investment income	-	(108,236)	108,236
Administrative expenses	-	(1,703)	1,703
Benefit payments including refund of employee contributions	(6,982)	(6,982)	-
Net changes	(49,620)	(116,831)	67,211
Balance at December 31, 2022	\$ 359,507	\$ 923,727	\$ (564,220)

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
 December 31, 2022

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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Organization's net OPEB asset	\$ (530,913)	\$ (564,220)	\$ (592,868)

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 (6.25%)	Current Healthcare Cost Trend Rates (7.25%)	1% Increase (8.25%)
Organization's net OPEB asset	\$ (583,276)	\$ (564,220)	\$ (504,395)

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, 2022

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, 2022, the Organization recognized OPEB expense of (\$74,734). At December 31, 2022, 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	\$ -	\$ 44,856
Differences in assumptions	5,002	-
Net difference between projected and actual net investment income	82,368	-
Total	\$ 87,370	\$ 44,856

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
2023	\$ (32,804)
2024	13,956
2025	24,481
2026	36,881

Payables to the OPEB Plan

At December 31, 2022, the Library did not have a payable to the OPEB Plan.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

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, 2022, Library property taxes were reduced by \$947 under this program.

City of Montague

For the year ended December 31, 2022, Library property taxes were reduced by \$574 under this program.

City of Norton Shores

For the year ended December 31, 2022, Library property taxes were reduced by \$8,928 under this program.

All other Municipalities

For the year ended December 31, 2022, Library property taxes were reduced by \$5,920 under this program.

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

Total fund balance—governmental fund		\$ 2,177,366
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	\$7,065,795	
Accumulated depreciation	<u>(2,676,137)</u>	4,389,658
Long-term obligations in governmental activities are not due and payable in the current period and, therefore, are not reported in the governmental fund.		
Notes payable and other obligations	(265,160)	
Compensated absences	(164,951)	
Net pension asset and related deferred outflows/inflows of resources	257,725	
Other postemployment benefits asset and related deferred outflows/inflows of resources	<u>606,734</u>	<u>434,348</u>
Net position of governmental activities		<u><u>\$ 7,001,372</u></u>

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

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

Net change in fund balance—total governmental fund \$ (501,894)

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	\$ (601,132)	
Capital outlay	<u>933,150</u>	332,018

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	82,507	
Change in net pension asset and related deferred outflows/inflows of resources	145,470	
Change in other postemployment benefits asset and related deferred outflows/inflows of resources	<u>74,824</u>	302,801

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>23,492</u>
--	--	---------------

Change in net position in governmental activities		<u><u>\$ 156,417</u></u>
---	--	--------------------------

NOTE L—CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2022, the Library implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase 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 the 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.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
 December 31, 2022

NOTE L—CHANGE IN ACCOUNTING PRINCIPLE—Continued

The restatement of the beginning of the year has no impact on net position or fund balance. The change in capital assets, net of depreciation/amortization and notes payable and other obligations is as follows:

	Statement of Net Position - Governmental Activities	
	Capital Assets, Net	Notes Payable and Other Obligations
Balances at January 1, 2022	\$ 3,807,297	\$ 285,767
Adoption of GASB Statement 87	250,343	250,343
Balances at January 1, 2022, as restated	\$ 4,057,640	\$ 536,110

NOTE M—UPCOMING ACCOUNTING PRONOUNCEMENT

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.

REQUIRED SUPPLEMENTARY INFORMATION

Muskegon Area District Library
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
For the year ended December 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 3,955,779	\$ 4,187,189	\$ 3,943,474	\$ (243,715)
Intergovernmental revenues				
Federal	50,000	147,000	56,957	(90,043)
State	161,567	230,019	230,799	780
Charges for services	8,000	16,000	18,070	2,070
Fines and forfeitures	182,000	188,179	190,411	2,232
Investment earnings (loss)	6,000	3,000	(52,731)	(55,731)
Contributions	5,000	5,000	31,346	26,346
Reimbursements	14,000	14,000	6,680	(7,320)
Other	121,000	121,000	120,283	(717)
Total revenues	4,503,346	4,911,387	4,545,289	(366,098)
Expenditures				
Current				
Salaries and wages	2,122,842	2,155,549	2,005,729	149,820
Fringe benefits	954,725	932,486	794,714	137,772
Operating supplies	167,500	166,000	132,980	33,020
Repairs and maintenance	124,000	124,000	103,909	20,091
Grant expenditures	-	147,000	93,923	53,077
Professional services	45,784	35,784	27,094	8,690
Utilities	16,650	17,200	12,834	4,366
Insurance	26,920	27,700	27,703	(3)
Travel	16,450	21,500	25,129	(3,629)
Contracted services	456,000	446,318	409,115	37,203
Telephone	127,600	127,400	110,281	17,119
Occupancy	11,000	13,632	13,632	-
Other	363,200	373,300	344,668	28,632
Debt service				
Principal	12,000	23,807	23,492	315
Interest and fees	-	5,675	5,617	58
Capital outlay	372,000	981,568	916,363	65,205
Total expenditures	4,816,671	5,598,919	5,047,183	551,736
Net change in fund balance	<u>\$ (313,325)</u>	<u>\$ (687,532)</u>	(501,894)	<u>\$ 185,638</u>
Fund balance at beginning of year			<u>2,679,260</u>	
Fund balance at end of year			<u>\$ 2,177,366</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)

	2021	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY							
Service cost	\$ 149,448	\$ 138,988	\$ 124,337	\$ 117,974	\$ 111,268	\$ 94,052	\$ 104,181
Interest	264,450	237,594	227,628	206,680	190,275	189,533	168,674
Differences between expected and actual experience	(111,625)	(42,532)	(47,907)	44,203	(16,125)	(213,257)	(27,326)
Changes of assumptions	137,602	148,088	92,805	-	-	-	143,399
Benefit payments, including refunds of employee contributions	(144,690)	(123,303)	(123,304)	(97,087)	(70,314)	(69,007)	(49,462)
Net change in total pension liability	295,185	358,835	273,559	271,770	215,104	1,321	339,466
Total pension liability at beginning of year	3,477,223	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)	\$ 3,772,408	\$ 3,477,223	\$ 3,118,388	\$ 2,844,829	\$ 2,573,059	\$ 2,357,955	\$ 2,356,634
PLAN FIDUCIARY NET POSITION							
Contributions-employer	\$ 311,110	\$ 238,288	\$ 209,372	\$ 169,151	\$ 146,216	\$ 97,945	\$ 103,140
Contributions-employee	32,239	28,987	26,265	24,270	22,144	18,421	19,012
Net investment income	475,044	379,661	323,061	(96,174)	267,303	199,830	(26,398)
Benefit payments, including refunds of employee contributions	(144,690)	(123,303)	(123,304)	(97,087)	(70,314)	(69,007)	(49,462)
Administrative expense	(5,450)	(5,706)	(5,570)	(4,624)	(4,214)	(3,938)	(3,770)
Net change in plan fiduciary net position	668,253	517,927	429,824	(4,464)	361,135	243,251	42,522
Plan fiduciary net position at beginning of year	3,261,027	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)	\$ 3,929,280	\$ 3,261,027	\$ 2,743,100	\$ 2,313,276	\$ 2,317,740	\$ 1,956,605	\$ 1,713,354
Library's net pension (asset) liability at end of year (a)-(b)	\$ (156,872)	\$ 216,196	\$ 375,288	\$ 531,553	\$ 255,319	\$ 401,350	\$ 643,280
Plan fiduciary net position as a percentage of the total pension liability	104.16%	93.78%	87.97%	81.32%	90.08%	82.98%	72.70%
Covered employee payroll	\$ 1,423,456	\$ 1,325,258	\$ 1,207,751	\$ 1,079,931	\$ 963,823	\$ 808,164	\$ 887,423
Library's net pension (asset) liability as a percentage of covered employee payroll	-11.02%	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.

The following were significant changes to actuarial assumptions:

2015 valuation - The investment rate of return assumption was reduced from 8.25 percent to 8.0 percent, the wage inflation assumption was reduced from 4.5 percent to 3.75 percent, and inflation rates changed from 3.0 - 4.0 percent to 2.5 percent.

2019 Valuation - The investment rate of return assumption was reduced from 8.0 percent to 7.6 percent, the wage inflation assumption was reduced from 3.75 percent to 3.0 percent

2020 Valuation - Mortality rates were changed to the recently issued Pub-2010 mortality general rates as published by the Society of Actuaries along with a change to sex-distinct assumptions.

2021 Valuation - The investment rate of return assumption was reduced from 7.6 percent to 7.25 percent.

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>2022</u>	<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>
Actuarially determined contribution	\$ 180,084	\$ 142,476	\$ 165,140	\$ 115,020	\$ 107,678	\$ 115,317	\$ 93,445	\$ 103,140	\$ 87,579	\$ 72,000
Contributions in relation to the actuarially determined contribution	253,656	311,110	238,288	211,035	169,151	146,392	97,945	103,140	87,579	72,000
Contribution deficiency (excess)	\$ (73,572)	\$ (168,634)	\$ (73,148)	\$ (96,015)	\$ (61,473)	\$ (31,075)	\$ (4,500)	\$ -	\$ -	\$ -
Covered employee payroll	Not available	\$ 1,423,456	\$ 1,325,258	\$ 1,207,751	\$ 1,079,931	\$ 963,823	\$ 808,164	\$ 887,423	\$ 670,473	\$ 661,171
Contributions as percentage of covered employee payroll	Not available	21.9%	18.0%	17.5%	15.7%	15.2%	12.1%	11.6%	13.1%	10.9%

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 normal
Amortization method	Level percentage of payroll
Remaining amortization period	17 years
Asset Valuation method	5-year smoothed market
Inflation	2.5 percent
Salary increases	3 percent in the long-term
Investment rate of return	7.00 percent, net of investment and administrative expenses
Retirement age	Varies depending on plan adoption
Mortality	Based on a version of Pub-2010 and fully generational MP-2019

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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
TOTAL OPEB LIABILITY						
Service cost	\$ 6,032	\$ 6,880	\$ 7,866	\$ 6,906	\$ 8,158	\$ 7,571
Interest	30,257	29,292	33,581	30,841	32,567	29,203
Differences between expected and actual experience	(88,833)	(3,642)	(91,200)	(1,803)	(65,647)	(1,925)
Changes of assumptions	9,906	(10,968)	531	30,165	10,959	14,078
Benefit payments, including refunds of employee contributions	(6,982)	(8,162)	(8,159)	(8,103)	(6,004)	(4,896)
Net change in total OPEB liability	(49,620)	13,400	(57,381)	58,006	(19,967)	44,031
Total OPEB liability at beginning of year	409,127	395,727	453,108	395,102	415,069	371,084
Total OPEB liability at end of year (a)	\$ 359,507	\$ 409,127	\$ 395,727	\$ 453,108	\$ 395,102	\$ 415,115
PLAN FIDUCIARY NET POSITION						
Contributions-employer	\$ 90	\$ -	\$ -	\$ -	\$ 6,004	\$ 5,152
Net investment income	(108,236)	129,332	108,782	98,994	(27,705)	89,864
Benefit payments, including refunds of employee contributions	(6,982)	(8,162)	(8,159)	(14,108)	(6,004)	(3,711)
Administrative expense	(1,703)	(1,789)	(1,473)	(1,410)	(1,872)	(1,738)
Net change in plan fiduciary net position	(116,831)	119,381	99,150	83,476	(29,577)	89,567
Plan fiduciary net position at beginning of year	1,040,558	921,177	822,027	738,551	768,128	678,561
Plan fiduciary net position at end of year (b)	\$ 923,727	\$ 1,040,558	\$ 921,177	\$ 822,027	\$ 738,551	\$ 768,128
Organization's net OPEB asset at end of year (a)-(b)	\$ (564,220)	\$ (631,431)	\$ (525,450)	\$ (368,919)	\$ (343,449)	\$ (353,013)
Plan fiduciary net position as a percentage of the total OPEB asset	256.94%	254.34%	232.78%	181.42%	186.93%	185.04%
Covered employee payroll	\$ 319,318	\$ 325,836	\$ 275,069	\$ 273,855	\$ 266,178	Not Available
Organization's net OPEB asset as a percentage of covered employee payroll	176.70%	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.

The following assumptions changed since the prior valuation:

The mortality improvement scale was updated from MP-2020 to MP-2021.

The salary scale was updated from 3.5% to 2.0%.

The discount rate was updated from 7.35% to 7.00%.

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>2022</u>	<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>
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ (66,290)	\$ (59,178)	\$ (55,325)	\$ (35,472)	\$ (33,703)	\$ (35,021)	\$ (32,905)
Contributions in relation to the actuarially determined contribution	90	-	-	-	6,004	5,152	32,422	28,548	30,749	48,660
Contribution deficiency (excess)	<u>\$ (90)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (66,290)</u>	<u>\$ (65,182)</u>	<u>\$ (60,477)</u>	<u>\$ (67,894)</u>	<u>\$ (62,251)</u>	<u>\$ (65,770)</u>	<u>\$ (81,565)</u>
Covered employee payroll	\$ 319,318	\$ 325,836	\$ 275,069	\$ 273,855	\$ 266,178	Not Available	Not Available	\$ 508,041	\$ 508,041	\$ 208,041
Contributions as percentage of covered employee payroll	Not Available	Not Available	Not Available	-24.2%	-22.2%	Not Available	Not Available	-6.6%	-6.9%	-15.8%

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, 2022.

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	3 years
Asset valuation method	Equal to market value of assets
Salary increases	2.0 percent
Investment rate of return	7.00 percent (including inflation), net of administrative and investment expenses
Retirement age	55 - 60 years of age
Mortality	Mortality rates were as set forth in the 2010 Public General Employees and Healthy Retirees, headcount-weighted, with MP-2021 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)

	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	-10.44%	14.12%	13.31%	13.55%	-3.61%	13.25%

Notes to Schedule

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