

LOUTIT DISTRICT LIBRARY GRAND HAVEN, MICHIGAN

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023



Vredeveld Haefner LLC
CPAs and Consultants

LOUTIT DISTRICT LIBRARY

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INDEPENDENT AUDITORS' REPORT

September 11, 2023

Members of the Library Board
Loutit District Library
Grand Haven, Michigan

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Library, as of June 30, 2023, 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 the Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and the budgetary and pension information on pages 31 through 33 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.

Uredewald Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

About the Library

Loutit District Library (The "Library") was established on February 24, 1999, pursuant to Act No. 24 of the Public Acts of 1989, by the participating municipalities of the City of Grand Haven, City of Ferrysburg, Grand Haven Charter Township, Robinson Township, and Grand Haven Area Public Schools (which includes a portion of Port Sheldon Township) all located in Ottawa County, Michigan.

Financial Highlights

Property Tax Values – Tax revenue received totaled \$2,654,134 in FY 2022-23, an increase of \$130,451 from FY 2021-22. Continuing a trend which began in 2019, the library operating tax rate was reduced to 0.9523 mills, due to Michigan's Headlee Amendment.

Penal Fines – Income from county court assessed penal fines increased \$2,104 over the prior year, generating a total of \$118,257 in revenues.

Books & Periodicals – To meet library patron service demands, in FY 2022-23 there was an increase of \$12,774 in book and periodical expenditures in comparison to FY 2021-22.

Salaries, Wages, and Benefits – As of June 30, 2023 the Library had 15 full time staff and 19 part-time staff, with 4 substitutes. The Library Board approved hiring 4-part time janitorial staff positions in lieu of contracting janitorial services to save on expenses. Of the 4 approved positions, one position began prior to fiscal year end. Overall, for FY 2022-23, there was an increase of \$14,792 in salary, wages and benefit expenses in comparison to FY 2021-22.

There were staffing changes, most notably, in the Executive Director and Assistant Director positions during the fiscal year. The subsequent activity to those resignations was a staff vote to unionize. Union negotiations began in January/February of 2023 and carried through the end of the fiscal year without an agreement reached.

Contractual Services - Effective November 2022, Loutit District Library contracted the City of Grand Haven for finance, payroll and human resource services. Contract is for a period of three years, which can be extended based on mutual agreement.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements

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

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

The *statement of activities* presents information showing how the Library's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (accrued interest on debt).

Both of the government-wide financial statements distinguish functions of the Library that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The Library currently has no business-type activities.

Fund financial statements

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

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Library's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the Statement of Net Position with the Governmental Funds Balance Sheet, and the Statement of Activities with the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance. By doing so, readers may better understand the long-term impact of the Library's near-term financing decisions. Reconciliations of fund financial statements with government-wide financial statements are provided to facilitate this comparison.

The Library maintains four individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Maintenance Fund (a capital project fund), and two Debt Service Funds which are all considered to be major funds.

The Library adopts an annual appropriations budget for its General Fund as required by state law. A budgetary comparison statement for the General Fund has been provided as required supplementary information to demonstrate legal compliance with the budget. Budgets are also adopted for other funds and used as a management control device throughout the year.

Notes to the financial statements

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

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This includes this discussion and analysis, budgetary comparison schedule for the General Fund, and historical pension information.

Government-wide Financial Analysis

The following table presents condensed information about the Library's financial position for the past two fiscal years. Total net position includes the investment in capital assets. Capital assets represent the capital assets held by the Library, net of related accumulated depreciation.

	<u>2023</u>	<u>2022</u>
Current and other assets	\$2,554,942	\$2,667,643
Capital assets	7,714,807	7,962,278
Total assets	10,269,749	10,629,921
Deferred outflows of resources	540,179	502,283
Current and other liabilities	627,650	632,109
Long-term liabilities	3,341,786	3,327,995
Total liabilities	3,969,436	3,960,104
Deferred inflows of resources	-	286,375
Net position		
Net investment in capital assets	5,508,906	5,229,880
Restricted	148,725	102,678
Unrestricted	1,182,861	1,553,167
Total net position	\$6,840,492	\$6,885,725

Revenues and Expenses

The Library's net position decreased \$18,514 during the year ended June 30, 2023. Current year expenses exceeded current year revenues primarily due to contracted services. A summary of revenues and expenses for the past two fiscal years is presented below.

	<u>2023</u>	<u>2022</u>
Program revenues		
Charges for services	\$ 6,385	\$ 12,195
Grants and contributions	35,656	54,469
General revenues		
Property taxes	2,654,134	2,523,683
County penal fines	118,257	116,153
Other general revenues	95,728	2,944
Total revenues	2,910,160	2,709,444
Functions/program expenses		
Library	2,874,579	2,548,163
Interest on long-term debt	54,095	63,389
Total expenses	2,928,674	2,611,552
Change in net position	(18,514)	97,892
Net position, beginning of year	6,859,006	6,787,833
Net position, end of year	\$6,840,492	\$6,885,725

Beginning net position for fiscal year 2023 was decreased \$26,719 to reflect removal of the investments held by a community foundation.

Financial Analysis of the Library's Funds

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Library's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Library's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Library's governmental funds reported combined ending fund balances of \$2,458,092, a decrease of \$68,681 from the prior year.

The General Fund is the chief operating fund of the Library. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$895,170 while total fund balance was \$1,396,782. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 37% of total General Fund expenditures. The table below shows the unassigned fund balance compared to total fund expenditures historically.

	Unassigned General Fund Balance (A)	Total General Fund Balance	General Fund Expenditures (B)	Fund Balance Policy Percentage (A/B)
FY2020-21	\$1,109,805	\$1,643,713	\$2,057,595	54%
FY2021-22	1,013,842	1,532,293	2,325,464	44%
FY2022-23	895,170	1,396,782	2,396,091	37%

The Library's revenues in the General Fund were \$2,608,544, an increase from the prior year of \$132,403. Property tax revenues, which make up 90% of General Fund revenues, increased 4.9% from the previous year. Total General Fund revenues increased by 5.8% overall compared to the previous year.

General Fund expenditures amounted to \$2,396,091, an increase of \$70,627 from the prior year or 3%. General Fund expenditures increased in the current year due to staffing changes, increased contracted service costs, and additional book and periodical purchases.

The Maintenance Fund has a total fund balance of \$912,585, a decrease of \$5,936 from the prior year which was the result of amounts transferred to the General Fund for maintenance projects. The balance in the fund is assigned for future maintenance projects.

The Library's Debt Service Funds are used to pay principal and interest on the 2017 refunding bonds. Revenue is derived from a dedicated debt millage and transfers from the General Fund. The 2017 refunding bonds are scheduled to be retired in May 2027. See Note 6 for additional details.

General Fund Budgetary Highlights

Sale of Robbins Road Property – In March 2020, the Library Board approved that the net proceeds of the sale of the property (\$579,920) along with any interest earned on the proceeds be applied to future 2017 Library Refunding Bonds (Bond B), beginning in May 2020. The proceeds were evenly divided by eight (the remaining years of annual bond payments) so that \$72,490 is allocated to the annual Bond B debt service requirements annually through 2026. During the final year (fiscal year 2026-27), the remaining fund balance in its entirety (including all earned interest) will be applied to the final payment on the Bond B debt obligation. Should the remaining balance of the proceeds in the final year exceed the debt service requirements on Bond B, the unapplied balance of the fund will be transferred to the Library's General Fund balance. As of June 30, 2023, there are four payments remaining.

Capital Assets and Long-Term Debt Activity

Capital assets The Library's investment in capital assets for its governmental activities as of June 30, 2023, amounted to \$7,714,807 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and furniture, and books.

Current year additions included a document station and additions to the book and electronics collections.

Additional information on the Library's capital assets can be found in Note 5 to the financial statements.

Long-term debt At the end of the current fiscal year, the Library had total long-term debt outstanding of \$2,160,000.

Long-term debt activity consisted of principal payments on outstanding bonds totaling \$505,000.

Additional information on the Library's long-term debt can be found in Note 6 to the financial statements.

Economic Factors and Next Year's Budget

Salaries, Wages, and Benefits – For FY 2023-24, an increase of 4% in salaries is anticipated, dependent on the finalization of union negotiations.

Building Improvements - The "Brooks Media Center" renovation project will begin in FY 2023-24 with an anticipated cost of \$70,000, which will be covered by a generous donation and anticipated grant revenue.

Property taxes -- Revenues are projected to continue to increase due to an increase in the district-wide taxable value. However, due to tax limitations under the Headlee Amendment, if the district-wide taxable value exclusive of new construction and improvements increases faster than the U.S. Consumer Price Index from one year to the next, the Library's maximum tax rate must be reduced through a millage reduction fraction.

JH Campbell Power Plant -- Consumers Energy announced in July 2021, that they will be moving up the closure of the coal-fired JH Campbell plant in Port Sheldon Township by 15 years, leading to a planned closure in 2025. The Campbell power plant is the library's largest taxpayer and the closure may mean significant reductions in tax revenues in future years.

2020 Federal Census – Ottawa County is the fastest growing county in Michigan. The library district experienced an increase in population of 3,791 residents to 39,331. This new population number will be used for the next ten years in calculating state aid and penal fine revenues.

Library State Aid – In the State of Michigan FY 2021-2022 budget, an increase of approximately \$2 million to public libraries statewide has been approved. This, along with increased population from the 2020 Census, will lead to a slight increase in state aid revenues for the library.

Contacting the Library Management

This management discussion and analysis provides an overview of the current and prospective financial condition of the Library's operations and financial position. If there are questions concerning this report or if additional information is desired, please contact Ellen Peters, Library Director at epeters@loutitlibrary.org, or Loutit District Library, 407 Columbus Ave., Grand Haven, MI 49417.

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BASIC FINANCIAL STATEMENTS

LOUTIT DISTRICT LIBRARY

STATEMENT OF NET POSITION

JUNE 30, 2023

	Primary Government Governmental Activities
Assets	
Cash and cash equivalents (note 3)	\$ 738,272
Investments (note 3)	1,653,501
Accounts receivable	119
Due from other governments	140,371
Prepaid items	22,679
Capital assets, net (note 5)	
Land	1,139,732
Buildings and equipment	<u>6,575,075</u>
Total assets	<u>10,269,749</u>
Deferred outflows of resources	
Pension related (note 7)	<u>540,179</u>
Liabilities	
Accounts payable	46,096
Accrued liabilities	61,554
Bonds due within one year (note 6)	520,000
Noncurrent liabilities	
Net pension liability (note 7)	1,499,878
Accrued compensated absences (note 6)	156,007
Unamortized bond premium	45,901
Bonds due in more than one year (note 6)	<u>1,640,000</u>
Total liabilities	<u>3,969,436</u>
Net position (note 9)	<u>\$ 6,840,492</u>

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

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LOUTIT DISTRICT LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Expenses</u>	
Primary government				
Governmental activities				
Library	\$ 6,385	\$ 35,656	\$ (2,874,579)	\$ (2,832,538)
Interest on long-term debt	-	-	(54,095)	(54,095)
Total primary government	<u>\$ 6,385</u>	<u>\$ 35,656</u>	<u>\$ (2,928,674)</u>	<u>(2,886,633)</u>
General revenues				
Property taxes				
General operating				2,359,526
Debt service				294,608
County penal fines				118,257
State revenues				39,884
Other general revenues				6,991
Investment earnings (loss)				<u>48,853</u>
Total general revenues				<u>2,868,119</u>
Change in net position				(18,514)
Net position, beginning of year, as restated				<u>6,859,006</u>
Net position, end of year				<u>\$ 6,840,492</u>

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

LOUTIT DISTRICT LIBRARY

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2023

	<u>General</u>	<u>Maintenance</u>	<u>Debt Service Series A</u>	<u>Debt Service Series B</u>	<u>Total</u>
Assets					
Cash and cash equivalents (note 3)	\$ 398,842	\$ 287,713	\$ 51,717	\$ -	\$ 738,272
Investments (note 3)	931,915	624,872	96,632	82	1,653,501
Accounts receivable	119	-	-	-	119
Due from other funds (note 4)	-	-	75	-	75
Due from other governments	140,152	-	219	-	140,371
Prepaid items	22,679	-	-	-	22,679
Total assets	<u>\$ 1,493,707</u>	<u>\$ 912,585</u>	<u>\$ 148,643</u>	<u>\$ 82</u>	<u>\$ 2,555,017</u>
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ 46,096	\$ -	\$ -	\$ -	\$ 46,096
Accrued liabilities	50,754	-	-	-	50,754
Due to other funds	75	-	-	-	75
Total liabilities	96,925	-	-	-	96,925
Fund balances (note 9)	<u>1,396,782</u>	<u>912,585</u>	<u>148,643</u>	<u>82</u>	<u>2,458,092</u>
Total liabilities and fund balance	<u>\$ 1,493,707</u>	<u>\$ 912,585</u>	<u>\$ 148,643</u>	<u>\$ 82</u>	<u>\$ 2,555,017</u>

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

LOUTIT DISTRICT LIBRARY

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

JUNE 30, 2023

Fund balances - total governmental funds	\$ 2,458,092
Amounts reported for <i>governmental activities</i> in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets (net)	7,714,807
Deferred pension contributions, deficit investment returns, changes in assumptions and differences in experiences relate to future years and are not reported in the funds.	
Add - deferred outflows	540,179
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - net pension liability	(1,499,878)
Deduct - compensated absences payable	(156,007)
Deduct - unamortized bond premium	(45,901)
Deduct - bonds payable	(2,160,000)
Deduct - accrued interest on bonds payable	<u>(10,800)</u>
Net position of governmental activities	<u>\$ 6,840,492</u>

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

LOUTIT DISTRICT LIBRARY

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2023

	<u>General</u>	<u>Maintenance</u>	<u>Debt Service Series A</u>	<u>Debt Service Series B</u>	<u>Total</u>
Revenues					
Property taxes	\$ 2,359,526	\$ -	\$ 294,608	\$ -	\$ 2,654,134
Intergovernmental					
State revenues	39,884	-	-	-	39,884
County penal fees	118,257	-	-	-	118,257
Fees and charges	6,385	-	-	-	6,385
Investment earnings (loss)	41,845	2,969	4,036	3	48,853
Donations and miscellaneous	42,647	-	-	-	42,647
Total revenues	<u>2,608,544</u>	<u>2,969</u>	<u>298,644</u>	<u>3</u>	<u>2,910,160</u>
Expenditures					
Current					
Library					
Salaries and wages	1,150,783	-	-	-	1,150,783
Benefits	354,467	-	-	-	354,467
Books and periodicals	241,173	-	-	-	241,173
Lakeland Library Cooperative	21,023	-	-	-	21,023
Professional services	165,958	-	-	-	165,958
Insurance	13,325	-	-	-	13,325
Building and grounds	71,322	-	-	-	71,322
Equipment maintenance	2,853	-	-	-	2,853
Custodial	56,955	-	-	-	56,955
Library supplies	35,230	-	-	-	35,230
Postage	4,894	-	-	-	4,894
Telephone and internet	17,482	-	-	-	17,482
Printing and publishing	5,569	-	-	-	5,569
Utilities	103,926	-	-	-	103,926
Transfers to other libraries	68,130	-	-	-	68,130
Other expenditures	34,677	-	-	-	34,677
Capital outlay	48,324	-	-	-	48,324
Debt service					
Principal	-	-	220,000	285,000	505,000
Interest	-	-	32,600	45,150	77,750
Total expenditures	<u>2,396,091</u>	<u>-</u>	<u>252,600</u>	<u>330,150</u>	<u>2,978,841</u>
Revenues over (under) expenditures	<u>212,453</u>	<u>2,969</u>	<u>46,044</u>	<u>(330,147)</u>	<u>(68,681)</u>
Other financing sources (uses)					
Transfers in (note 4)	8,905	-	-	330,150	339,055
Transfers out (note 4)	(330,150)	(8,905)	-	-	(339,055)
Total other financing sources (uses)	<u>(321,245)</u>	<u>(8,905)</u>	<u>-</u>	<u>330,150</u>	<u>-</u>
Net changes in fund balances	(108,792)	(5,936)	46,044	3	(68,681)
Fund balances, beginning of year, as restated	<u>1,505,574</u>	<u>918,521</u>	<u>102,599</u>	<u>79</u>	<u>2,526,773</u>
Fund balances, end of year	<u>\$ 1,396,782</u>	<u>\$ 912,585</u>	<u>\$ 148,643</u>	<u>\$ 82</u>	<u>\$ 2,458,092</u>

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

LOUTIT DISTRICT LIBRARY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

Net changes in fund balances - total governmental funds	\$ (68,681)
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.</p>	
Add - capital outlay	101,695
Deduct - depreciation expense	(349,166)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	
Add - principal payments on bonds	505,000
<p>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 funds.</p>	
Deduct - increase in compensated absences	(27,850)
Deduct - increase in net pension liability	(527,438)
Add - increase in deferred outflows related to pensions	37,896
Add - decrease in deferred inflows related to pensions	286,375
Add - amortization of bond premium	21,497
Add - decrease in accrued interest	2,158
Change in net position of governmental activities	<u>\$ (18,514)</u>

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

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LOUTIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Loutit District Library, Grand Haven, Michigan (the "Library") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Loutit District Library. There are no component units to be included. The criteria for including a component unit include significant operational or financial relationships with the Library.

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 activities of the Library which is considered to be a special purpose government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues are reported in total. The Library has no business-type or fiduciary activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for each of the governmental funds. Library resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Measurement Focus and Basis of Accounting

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.

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 except grant revenues which are recognized when grant requirements are met and interest revenue which is recorded when earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Property taxes, penal fines, state revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as

LOUTIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

All individual governmental funds are reported as separate columns in the fund financial statements.

The Library reports the following major governmental funds:

The *General Fund* is the general operating fund of the Library. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Maintenance Fund* (a capital projects fund) accounts for amounts set aside by the Library Board for certain maintenance items and can be spent at the discretion of the Board.

The *Debt Service Funds* account for the accumulation of resources for payment of the principal, interest and fees to retire the outstanding long-term debt of the Library.

Budgets and Budgetary Accounting

Comparisons to budget are presented for the General Fund. The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Library Director submits to the Library Board a proposed operating budget for the fiscal year commencing the following July 1.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the general fund.
5. The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Adoption and amendments of all budgets used by the Library are governed by Michigan Law. The appropriations ordinances are based on the projected expenditures budget of the various objects of the Library. Any amendment to the original budget must meet the requirements of Michigan Law. The Library did amend its budget for the current year. Any revisions that alter the expenditures at the object level within the general fund must be approved by the Library Board.

Deposits and Investments

State statutes and Library policy authorize the Library to invest in:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

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- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements.

Capital assets are defined by the Library as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value (the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction) on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on capital assets (including infrastructure), is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	15
Buildings and improvements	50
Collections	3-20
Furniture and fixtures	7-10
Equipment	5-7

Property Taxes

Property taxes are levied and become an enforceable lien on July 1 or December 1 depending on the taxing unit within the district. Taxes are payable by either September 15 or February 14. Property taxes are billed and collected by participating Cities and Townships. Real property taxes not collected as of March 1 are turned over to the County for collection, which advances the Library 100% of the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the Cities and Townships. Property tax revenues are recognized as revenue in the year for which they are levied.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

Grants and Other Intergovernmental Revenues

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers. Due to other funds and due from other funds at year end represent short-term borrowing between the funds.

Net Position and Fund Balance Reporting

Governmental funds report fund balance in the following five categories:

1. Non-spendable – the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted – the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed – the related assets can only be spent for a specific purpose identified by formal resolution of the governing board.
4. Assigned – the related assets can only be spent for a specific purpose identified by management as authorized by the governing board.
5. Unassigned – is the residual classification and includes all spendable amounts not contained in the other classifications.

Fund balance can only be committed or assigned by formal resolution of the Library Board.

Restricted net position represents those portions of net position legally segregated for a specific future use.

The Library adopted a policy to maintain a minimum unassigned fund balance in its general fund of 25% of the current year's expenditures. Unassigned fund balance in the general fund at June 30, 2023 amounted to 37% of the current year's expenditures.

Net Position and Fund Balance Flow Assumptions

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 to report as restricted – net position/fund balance and unrestricted – net position/fund balance, 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 use restricted resources first, then unrestricted resources as they are needed. 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.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

Long-Term Obligations

In the government-wide financial statements the long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures/expenses regardless of fund or activity.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Library reports deferred outflows related to its pension plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Library currently has no deferred inflows to report.

Pensions

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 Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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. During the year ended June 30, 2023, the Library carried commercial insurance to cover risks of losses. The Library has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

PA. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Library's actual and budgeted expenditures for the general fund have been shown at a more detailed level than the object level, the level at which the budgets of the Library were adopted.

LOUTIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

During the year ended June 30, 2023, the Library did not incur any expenditures in excess of the appropriated amount.

3. CASH AND INVESTMENTS

The captions on the financial statements relating to cash and cash equivalents and investments are as follows:

Cash and cash equivalents	\$ 738,272
Investments	<u>1,653,501</u>
	<u>\$2,391,773</u>

The cash and investments making up the above balances are as follows:

Deposits	\$ 451,077
Investments	<u>1,940,696</u>
Total	<u>\$2,391,773</u>

For risk reporting purposes, the Library includes certificates of deposit in deposits; money market funds are classified as investments. The deposits are in financial institutions located in Michigan in varying amounts. All accounts are in the name of the Library and a specific fund or common account. They are recorded in Library records at fair value. Interest is recorded when earned.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned. State law does not require, and the Library does not have, a policy for deposit custodial credit risk. As of year-end, \$209,512 of the Library's bank balance was exposed to custodial credit risk due to being uninsured or uncollateralized.

Investments

The Library chooses to disclose its investments by type. As of year-end, the Library had the following investments:

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Money market funds	N/A	\$ 287,195	Not rated
Michigan Class	N/A	1,317,648	S&P AAAm
GNMA bonds US Government guaranteed	2044-2051	70,003	N/A
FNMA/FHLMC bonds implicitly guaranteed	2045-2051	265,850	N/A
Total		<u>\$1,940,696</u>	

The Library categorizes its fair value measurements of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Library has the following recurring fair value measurements as of year-end.

- GNMA/FHLMC and FNMA bonds are valued using quoted market prices (Level 1 inputs).

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FOR THE YEAR ENDED JUNE 30, 2023

- The Michigan Class investments and money market funds are valued using a pricing model utilizing observable fair value measures of fund/pool investments and other observable inputs to determine the fair value of the securities making up the investments fund/pool (Level 2 inputs).
- The Library does not have any investments that report fair value based on significant unobservable inputs (Level 3 inputs).

Investment and deposit risk

Interest Rate Risk. State law and Library policy limit the allowable investments and the maturities of some of the allowable investments as identified in Note 1, the summary of significant accounting policies. The Library's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity range of dates for each type of investment is identified above for investments held at year-end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1, the summary of significant accounting policies. The investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings, where applicable are reported above.

Custodial Credit Risk - Investments. For an investment, custodial credit risk 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. State law does not require and the Library does not have a policy for investment custodial credit risk. Michigan CLASS has received rulings from the FDIC that deposits made by Michigan CLASS are actually the deposits of the participants and thus each participant in the pool is insured for its proportionate share of any deposit up to the \$250,000 limit for the participants accounts in the custodian bank and its pro rata share of Michigan CLASS's deposits. Of the above investments in money market funds and pools of \$1,940,696, the Library's remaining custodial credit risk exposure cannot be determined because the money markets and the investment pools do not consist of specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1, the summary of significant accounting policies. The Library's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

LOUTIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

4. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2023 are as follows:

<u>Transfers in</u>	<u>Transfers out</u>		
	<u>General fund</u>	<u>Maintenance fund</u>	<u>Total</u>
General fund	\$ -	\$8,905	\$ 8,905
Debt service series B fund	330,150	-	330,150
	<u>\$330,150</u>	<u>\$8,905</u>	<u>\$339,055</u>

Transfers are used to (1) move unrestricted revenues collected in the general fund to finance debt service payments in accordance with budgetary authorizations and (2) move funds accumulated for maintenance items to the general fund where they are budgeted for expenditure.

5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$1,139,732	\$ -	\$ -	\$1,139,732
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>1,139,732</u>	<u>-</u>	<u>-</u>	<u>1,139,732</u>
Capital assets, being depreciated				
Land improvements	151,734	-	-	151,734
Building	8,505,753	-	-	8,505,753
Collections	1,456,812	94,950	120,203	1,431,559
Equipment	237,737	6,745	-	244,482
Furniture and fixtures	402,073	-	-	402,073
Total capital assets, being depreciated	<u>10,754,109</u>	<u>101,695</u>	<u>120,203</u>	<u>10,735,601</u>
Less accumulated depreciation for				
Land improvements	132,348	10,116	-	142,464
Building	2,325,985	193,864	-	2,519,849
Collections	905,862	122,370	120,203	908,029
Equipment	176,908	18,635	-	195,543
Furniture and fixtures	390,460	4,181	-	394,641
Total accumulated depreciation	<u>3,931,563</u>	<u>349,166</u>	<u>120,203</u>	<u>4,160,526</u>
Net capital assets, being depreciated	<u>6,822,546</u>	<u>(247,471)</u>	<u>-</u>	<u>6,575,075</u>
Governmental activities capital assets, net	<u>\$7,962,278</u>	<u>\$(247,471)</u>	<u>\$ -</u>	<u>\$7,714,807</u>

Depreciation expense of \$349,166 was charged to functions/programs of the Library.

LOUTIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

6. LONG-TERM DEBT

All outstanding debt of the Library is direct placement or direct borrowing debt. The debt documents contain various provisions that in the event of default, the Library shall be required to use money from its general fund or levy an ad valorem tax sufficient to pay the obligation, subject to applicable constitutional, statutory, and charter limitations.

The following is a summary of the debt transactions of the Library for the year ended June 30, 2023.

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year
Governmental Activities					
Library Refunding Bonds 2017A general obligation – unlimited tax; Payments due in annual installments of \$200,000 to \$240,000 through May 1, 2027; interest at 2.0 to 3.0%.	\$1,160,000	\$ -	\$220,000	\$ 940,000	\$230,000
Library Refunding Bonds 2017B general obligation – limited tax; Payments due in annual installments of \$255,000 to \$320,000 through May 1, 2027; interest at 2.0 to 3.0%.	1,505,000	-	285,000	1,220,000	290,000
Total long-term debt	2,665,000	-	505,000	2,160,000	520,000
Accrued compensated absences	128,157	27,850	-	156,007	-
	\$2,793,157	\$27,850	\$505,000	\$2,316,007	\$520,000

The annual requirements to amortize all debt outstanding, excluding accrued compensated absences, as of June 30, 2023 are as follows:

Year Ended June 30	Governmental Activities	
	Principal	Interest
2024	\$ 520,000	\$ 64,800
2025	535,000	49,200
2026	545,000	33,150
2027	560,000	16,800
Total	\$2,160,000	\$163,950

7. PENSION PLANS

Defined Contribution Plan

The Library maintains the Loutit Library Pension Plan which is a defined contribution plan which is administered by MERS. The Library contributes from 7.5% to 10.5% of gross salary to the plan dependent on the employee level of contribution. The Library plan benefits and contribution requirements were established and may be amended under the authority of the Library Board. Currently, the Library director is the only employee eligible to participate in the plan. During the year, employee contributions amounted to \$16,105 and the Library contributed \$15,058 to the plan.

LOUTIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

Defined Benefit Plan

Plan Description

The Library participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple employer, statewide public employee pension plan established by the Michigan 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

Pension benefits approved by the Library Board are provided to all employees who work 32 hours per week or more. Benefits provided include a multiplier of 2.25 times final average compensation. The vesting period for benefits is 6 years. Normal retirement age is 60 with early retirement at age 55 with 30 years of service. Final average compensation is calculated based on a 3 year average.

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

Active plan members	12
Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled but not yet receiving benefits	10
Total	35

Contributions

The Library is required to contribute at an actuarially determined rate, which for the current year was 22.35% of annual covered payroll. Participating employees are required to contribute 5.0% percent of covered payroll to the Plan. The contribution requirements of the Library are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by the Library Board.

Net Pension Liability

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

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

- Inflation: 2.5%
- Salary Increases: base wage inflation of 3.00% in the long-term (plus merit and longevity from 0 to 11% based on age)
- Investment rate of return: 7.00%, net of investment expense, including inflation
- Mortality rates used for non-disabled plan member were based on PubG-2010 tables with future mortality improvements using RP-2019 scale applied fully generationally from the Pub-2010 base year of 2010. Mortality rates used for disabled plan member were based on PubNS-2010 Disabled Retiree Tables.

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

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Expected Money Weighted Rate of Return*</u>
Global Equity	60.0%	4.50%	2.70%
Global Fixed Income	20.0%	2.00%	0.40%
Private investments	20.0%	7.00%	1.40%
Inflation			2.50%
Administrative fee			0.25%
Discount rate			7.25%

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

Changes in the Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balance at December 31, 2021	\$3,953,180	\$2,980,740	\$972,440
Changes for the Year:			
Service cost	88,702	-	88,702
Interest	282,343	-	282,343
Change in benefits	-	-	-
Differences between expected and actual experience	464	-	464
Change in assumptions	-	-	-
Contributions: employer	-	122,736	(122,736)
Contributions: employee	-	35,132	(35,132)
Net investment income	-	(308,311)	308,311
Benefit payments, including refunds	(206,283)	(206,283)	-
Administrative expense	-	(5,486)	5,486
Other changes	-	-	-
Net changes	165,226	(362,212)	527,438
Balance at December 31, 2022	\$4,118,406	\$2,618,528	\$1,499,878

LOUTIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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

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

	1% Decrease	Current Discount Rate	1% Increase
Total Pension Liability	\$4,653,395	\$4,118,406	\$3,674,382
Fiduciary Net Position	2,618,528	2,618,528	2,618,528
Net Pension Liability	<u>\$2,034,867</u>	<u>\$1,499,878</u>	<u>\$1,055,854</u>

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2023 the Library recognized pension expense of \$308,970. The Library reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ 83,330	\$ -
Differences in assumptions	196,950	-
(Excess) deficit investment returns	198,901	-
Contributions subsequent to the measurement date*	60,998	-
Total	<u>\$540,179</u>	<u>\$ -</u>

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

Amounts reported as deferred outflows and inflows of resources related to Library pensions (excluding contributions subsequent to the measurement date) will be recognized in pension expense as follows:

2024	\$137,901
2025	168,814
2026	67,974
2027	104,492
2028	-
Thereafter	-
Total	<u>\$479,181</u>

8. DISTRICT LIBRARY AGREEMENT

The Library entered into an agreement with local participating municipalities on February 24, 1999. Among other things, the agreement provides for the Library to pay the City of Grand Haven an amount equal to the transfer value of the assets (as defined in the agreement) if the Library relocates its main library outside the City limits within the subsequent 150 years without City consent. This obligation would be funded only on the date on which the Library transfers its operations out of the City. The amount of the transfer value was determined to be \$8,518,401 as of June 30, 2023.

LOUTIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

9. EQUITY

Net position reported on the government-wide financial statements and fund balances reported on the governmental funds balance sheet are categorized as follows:

	<u>Net Position</u>	<u>Fund Balances</u>
Net investment in capital assets	\$5,508,906	\$ -
Non-spendable prepaid items	-	22,679
Restricted for Debt Service		
Series A bonds	148,643	148,643
Series B Bonds	82	82
Committed for debt service	-	309,290
Assigned for future capital projects – maintenance fund	-	912,585
Assigned for future genealogy project – general fund	-	5,947
Assigned for summer concert series	-	800
Assigned for materials	-	5,010
Assigned for subsequent year expenditures	-	157,886
Unrestricted net position	1,182,861	-
Unassigned fund balance	-	895,170
Total Net position/fund balance	<u>\$6,840,492</u>	<u>\$2,458,092</u>

10. ENDOWMENT FUND AGREEMENT

The Library entered into an agreement with the Grand Haven Area Community Foundation on September 25, 2001, the purpose of which was to establish an endowment fund to provide funding for the support of the Loutit District Library. Distributions may be made only from net appreciation of the endowment at the request of the Library Board, subject to Foundation approval and certain conditions. The Board may also request that a portion or all of the investment return be re-invested in the endowment fund. The Library did not receive any distributions from the Endowment Fund during the past fiscal year. The value of this designated fund was \$24,864 as of June 30, 2023.

The Library also entered into an agreement with the Foundation on February 1, 2022, the purpose of which was to establish a non-endowed fund to accept donations in support of the Library. Distributions are subject to Foundation approval and certain conditions. The Library did not receive any distributions from the Non-Endowed Fund during the past fiscal year. The value of this designated fund was \$47,275 as of June 30, 2023.

11. TAX ABATEMENTS

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by cities, villages, and townships within the District. Industrial facility exemptions are intended to promote construction of new industrial facilities and to rehabilitate existing facilities.

For the year ended June 30, 2023, the District's property tax revenues were reduced by approximately \$3,300 under this program.

Public Act 381 of 1996, the Brownfield Redevelopment Financing Act, was adopted in the State of Michigan as a means to authorize municipalities to create a brownfield redevelopment authority to facilitate the implementation of brownfield plans; to create brownfield redevelopment zones; to promote the revitalization, redevelopment, and reuse of certain property, including, but not limited to, tax reverted, blighted, or functionally obsolete property; to prescribe the powers and duties of brownfield

LOUTIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

redevelopment authorities; to permit the issuance of bonds and other evidences of indebtedness by an authority; to authorize the acquisition and disposal of certain property; to authorize certain funds; to prescribe certain powers and duties of certain state officers and agencies; and to authorize and permit the use of certain tax increment financing.

For the year the District's abated property tax revenues amounted to approximately \$18,300.

12. PRIOR PERIOD ADJUSTMENT

After review of the agreements relating to the funds held at the Grand Haven Area Community Foundation, it was determined the funds held by the Foundation were incorrectly included in the District's past years' financial statements. The District removed the funds from the investments line of the financial statements. This change resulted in a decrease in fund balance of the general fund and governmental activities net position in the amount of \$26,719.

	General Fund	Governmental Activities
6/30/22, as previously reported	\$1,532,293	\$6,885,725
Correction	(26,719)	(26,719)
6/30/22, as restated	<u>\$1,505,574</u>	<u>\$6,859,006</u>

REQUIRED SUPPLEMENTARY INFORMATION

LOUTIT DISTRICT LIBRARY

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2023

	Budget Amounts		Actual	Variance
	Original	Final	Amount	Positive (Negative)
Revenues				
Property taxes	\$ 2,362,000	\$ 2,357,455	\$ 2,359,526	\$ 2,071
Intergovernmental				
State revenues	38,400	38,400	39,884	1,484
County penal fees	112,000	120,000	118,257	(1,743)
Fees and charges	6,000	6,375	6,385	10
Interest	5,000	37,250	41,845	4,595
Donations and miscellaneous	132,940	116,530	42,647	(73,883)
Total revenues	2,656,340	2,676,010	2,608,544	(67,466)
Expenditures				
Current				
Library				
Salaries and wages	1,211,025	1,225,000	1,150,783	74,217
Benefits	390,740	371,890	354,467	17,423
Books and periodicals	238,335	242,325	241,173	1,152
Lakeland Library Cooperative	27,825	22,000	21,023	977
Professional services	45,775	177,850	165,958	11,892
Insurance	13,150	13,325	13,325	-
Building and grounds	64,010	107,010	71,322	35,688
Equipment maintenance	55,900	5,000	2,853	2,147
Custodial	60,200	60,200	56,955	3,245
Library supplies	31,500	32,075	35,230	(3,155)
Postage	8,500	5,000	4,894	106
Telephone and internet	6,920	22,300	17,482	4,818
Printing and publishing	10,000	9,725	5,569	4,156
Utilities	102,500	99,500	103,926	(4,426)
Transfers to other libraries	54,800	56,416	68,130	(11,714)
Other expenditures	102,220	35,700	34,677	1,023
Capital outlay	105,300	134,700	48,324	86,376
Total expenditures	2,528,700	2,620,016	2,396,091	223,925
Revenues over (under) expenditures	127,640	55,994	212,453	156,459
Other financing sources (uses)				
Transfers in	80,000	8,905	8,905	-
Transfers out	(330,150)	(330,150)	(330,150)	-
Total other financing sources (uses)	(250,150)	(321,245)	(321,245)	-
Net changes in fund balance	(122,510)	(265,251)	(108,792)	156,459
Fund balance, beginning of year, as restated	1,505,574	1,505,574	1,505,574	-
Fund balance, end of year	\$ 1,383,064	\$ 1,240,323	\$ 1,396,782	\$ 156,459

LOUTIT DISTRICT LIBRARY
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN EMPLOYERS NET PENSION
LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED JUNE 30, 2023

	December 31								
	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total pension liability									
Service cost	\$ 74,010	\$ 75,869	\$ 78,594	\$ 73,300	\$ 80,309	\$ 80,775	\$ 86,778	\$ 94,159	\$ 88,702
Interest	144,332	157,561	182,969	194,086	205,106	218,425	229,861	254,887	282,343
Changes in benefit terms	-	-	(3,936)	-	-	-	-	-	-
Difference between expected and actual experience	-	(670)	(42,068)	(46,023)	(17,131)	59,003	105,092	58,369	464
Changes in assumptions	-	136,608	-	-	-	79,313	249,924	162,237	-
Benefit payments including employee refunds	(59,415)	(57,456)	(58,639)	(89,284)	(84,923)	(119,158)	(173,522)	(194,766)	(206,283)
Other	4,511	4,924	-	(1)	-	-	-	12,305	-
Net change in total pension liability	163,438	316,836	156,920	132,078	183,361	318,358	498,133	387,191	165,226
Total pension liability, beginning of year	1,796,865	1,960,303	2,277,139	2,434,059	2,566,137	2,749,498	3,067,856	3,565,989	3,953,180
Total pension liability, end of year	\$ 1,960,303	\$ 2,277,139	\$ 2,434,059	\$ 2,566,137	\$ 2,749,498	\$ 3,067,856	\$ 3,565,989	\$ 3,953,180	\$ 4,118,406
Plan Fiduciary Net Position									
Contributions-employer	\$ 62,628	\$ 64,994	\$ 65,257	\$ 62,384	\$ 69,364	\$ 81,915	\$ 87,676	\$ 97,036	\$ 122,736
Contributions-employee	23,721	24,317	27,997	29,608	30,556	34,301	33,564	37,341	35,132
Net investment income (loss)	101,744	(26,666)	199,754	261,293	(88,812)	292,873	309,065	373,928	(308,311)
Benefit payments including employee refunds	(59,415)	(57,456)	(58,639)	(89,284)	(84,923)	(119,158)	(173,522)	(194,766)	(206,283)
Administrative expense	(3,757)	(3,833)	(3,939)	(4,130)	(4,337)	(5,052)	(4,866)	(4,289)	(5,486)
Net change in plan fiduciary net position	124,921	1,356	230,430	259,871	(78,152)	284,879	251,917	309,250	(362,212)
Plan fiduciary net position, beginning of year	1,596,268	1,721,189	1,722,545	1,952,975	2,212,846	2,134,694	2,419,573	2,671,490	2,980,740
Plan fiduciary net position, end of year	\$ 1,721,189	\$ 1,722,545	\$ 1,952,975	\$ 2,212,846	\$ 2,134,694	\$ 2,419,573	\$ 2,671,490	\$ 2,980,740	\$ 2,618,528
Employer net pension liability	\$ 239,114	\$ 554,594	\$ 481,084	\$ 353,291	\$ 614,804	\$ 648,283	\$ 894,499	\$ 972,440	\$ 1,499,878
Plan fiduciary net position as a percentage of the total pension liability	88%	76%	80%	86%	78%	79%	75%	75%	64%
Covered employee payroll	\$ 593,031	\$ 607,923	\$ 615,938	\$ 572,655	\$ 621,106	\$ 609,622	\$ 659,410	\$ 676,428	\$ 612,581
Employer's net pension liability as a percentage of covered employee payroll	40%	91%	78%	62%	99%	106%	136%	144%	245%

Notes to schedule:

Above data is based on a measurement date of December 31.

This schedule is being accumulated prospectively until ten years of data is presented.

LOUTIT DISTRICT LIBRARY
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2023

Fiscal Year end	Actuarially determined contributions	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
6/30/2015	\$ 62,628	\$ 62,628	\$ -	\$ 593,031	10.56%
6/30/2016	64,994	64,994	-	607,923	10.69%
6/30/2017	62,257	62,257	-	615,938	10.11%
6/30/2018	62,384	62,384	-	572,655	10.89%
6/30/2019	76,139	76,139	-	621,106	12.26%
6/30/2020	81,370	81,370	-	609,622	13.35%
6/30/2021	82,006	82,006	-	659,410	12.44%
6/30/2022	122,918	122,918	-	676,428	18.17%
6/30/2023	124,131	124,131	-	612,581	20.26%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	16 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary increases	3.00% (3.75% for 2015 through 2019)
Investment rate of return	7.0% (7.35% for 2020 and 2021; 7.75% for 2015 through 2019)
Retirement age	60
Mortality	Mortality rates used for non-disabled plan member were based on 106% of PubG-2010 tables with future mortality improvements using MP-2019 scale applied fully generationally from the Pub-2010 base year of 2010. Mortality rates used for disabled plan members were based on PubNS-2010 Disabled Retiree Tables.

Note to schedule:

The schedule is being accumulated prospectively until 10 years of information is presented