



Spring Lake District Library

SPRING LAKE, MICHIGAN

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021



Vredeveld Haefner LLC
CPAs and Consultants

SPRING LAKE DISTRICT LIBRARY

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INDEPENDENT AUDITORS' REPORT

April 22, 2022

Members of the Library Board
Spring Lake District Library
Spring Lake, Michigan

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Spring Lake District Library (the Library), as of and for the year ended December 31, 2021, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Library, as of December 31, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principals 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 (GAAS). 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 these 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 within one year after the date the financial statements are available to be issued.

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 GAAS 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 GAAS we:

- exercise professional judgement 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 judgement, 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 in 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 other information on pages 35 through 39 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 and 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 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.

Urodeheld Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

About the Library

As management of the Spring Lake District Library ("the Library"), we offer readers of the Spring Lake District Library financial statements this narrative review and analysis of the financial activities for the year ended December 31, 2021. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the Library exceeded its liabilities and deferred inflows of resources at year end by \$8,327,644 (net position).
- The Library's total net position increased by \$73,267.

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 utilizes governmental and fiduciary 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 three 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, Debt Service Fund, and the Capital Projects Fund, 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.

A *Fiduciary fund* is used to account for the Library's Other Post-Employment Benefits Plan (OPEB) investments. The fiduciary fund is *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Library's own programs.

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 and OPEB 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. As of the year ended December 31, 2021, the library's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$8,327,644.

	<u>2021</u>	<u>2020</u>
Current and other assets	\$4,742,681	\$4,489,449
Capital assets, net	5,058,857	5,108,570
Total assets	9,801,538	9,598,019
Deferred outflows of resources	285,323	489,671
Current and other liabilities	75,733	420,858
Long-term liabilities	127,568	159,618
Total liabilities	203,301	580,476
Deferred inflows of resources	1,555,916	1,612,837
Net position		
Net investment in capital assets	5,058,857	4,756,847
Restricted	467,533	602,267
Unrestricted	2,801,254	2,895,263
Total net position	\$8,327,644	\$8,254,377

A portion of the Library's net position reflects investment in capital assets net of related debt (e.g., land, buildings, vehicles, and equipment, less any related debt used to acquire those assets that is still outstanding). The library uses these capital assets to provide services to the patrons it serves; consequently, these assets are not available for future spending. Although the Library's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Library's net position represents resources that are subject to other external restrictions on how they may be used. The remaining balance of *unrestricted net position* may be used to meet the Library's ongoing obligations and its general programs.

Revenues and Expenses

The Library's net position increased \$73,267 during the year ended December 31, 2021. Current year revenues exceeded current year expenses primarily due to lower staff costs and changes in pension and OPEB liabilities and related inflows and outflows. A summary of revenues and expenses for the past two fiscal years is presented below.

	<u>2021</u>	<u>2020</u>
Program revenues		
Charges for services	\$ 104,206	\$ 94,734
Grants and contributions	42,330	36,035
General revenues		
Property taxes	1,609,306	1,687,576
Penal fines	73,525	52,272
State revenue	21,115	14,619
Unrestricted investment earnings	2,410	29,717
	<hr/>	<hr/>
Total revenues	1,852,892	1,914,953
	<hr/>	<hr/>
Functions/program expenses		
Library	1,774,580	1,235,796
Interest on long-term debt	5,045	15,370
	<hr/>	<hr/>
Total expenses	1,779,625	1,251,166
	<hr/>	<hr/>
Change in net position	73,267	663,787
	<hr/>	<hr/>
Net position, beginning of year	8,254,377	7,590,590
	<hr/>	<hr/>
Net position, end of year	\$8,327,644	\$8,254,377

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 \$2,407,923, a decrease of \$6,462 from the prior year primarily due to increasing expenses in attempt to use excess fund balance.

The general fund is the chief operating fund of the Library. At the end of the current fiscal year, fund balance of the general fund was made up of non-spendable amounts of \$35,890, assigned amounts of \$88,000, and unassigned fund balance of \$1,816,500. 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 134.7% of total general fund expenditures and transfers.

The Library's revenues in the general fund were \$1,548,076, a decrease from the prior year of \$21,385. Property tax revenues, which make up 84% of general fund revenues, decreased 2.8% from the previous year due to a millage reduction. Total general fund revenues decreased by 0.7% overall compared to the previous year.

General fund expenditures amounted to \$1,357,052, an increase of \$22,414 from the prior year or 1.7%. General fund expenditures increased in the current year due to increased building maintenance and re-opening of the library.

The Library's debt service fund millage rate is used to pay principal and interest on bonds payable. The fund balance of the debt service fund decreased by \$43,674 from the prior year. The Library's debt was paid off during the year, and this fund has been closed.

The Library's balance of the capital projects fund decreased by \$91,060 primarily due to purchase of a new air conditioning unit, new RFID book drop, and several smaller capital items.

General Fund Budgetary Highlights

Grants – Several grants were received in 2021:

- Library of Michigan, LSTA Multi-year T-Mobile Hotspot Grant expired in September 2021 and the agreement is that our library will now pay for the mobile hotspots for at least one more year.
- Library of Michigan LSTA FY2021 - \$1,000 grant for 1000 Books Before Kindergarten – received in October 2021

Capital Assets and Long-Term Debt Activity

Capital assets The Library's investment in capital assets for its governmental activities as of December 31, 2021, amounted to \$5,058,857 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and furniture, and books.

Current year additions included three new copy machines and typical additions to the Library's collection of materials.

Additional information on the Library's capital assets can be found in Note 4 to the financial statements.

Long-term debt At the end of the current fiscal year, the Library has paid off its long-term debt.

Long-term debt activity consisted of the final payment on outstanding bonds totaling \$345,000.

Additional information on the Library's long-term debt can be found in Note 5 to the financial statements.

Economic Factors and Next Year's Budget

The following were considered in preparing the Library's budget for the year ending December 31, 2022:

- Library service hours and in-person programs were still limited due to the COVID pandemic during 2021. Staff vacancies remained un-filled but accounted for in the budget with the plan to return to normal service hours, programming and staffing levels in 2022. In fact, expanded Sunday hours were added starting in 2022 so that the total open hours are now slightly more than pre-pandemic.
- Preparing for future repair and replacement projects due to the age of the building remains a priority. Some progress was made in 2021 with bigger plans for completing projects in 2022 and 2023. An RFP for a Library Refresh Project was issued in December 2021 for engagement with an

Architectural Firm to assist with Space Planning and Needs Assessment for the building interiors to be completed by July 2022. The deliverable will assist in budgeting Capital Expenses for 2023.

- Rebuilding the Capital Projects Fund for future repair and replacement projects remains a priority.
- A Salary study with the Michigan Municipal League was requested in 2021 however, the study was not completed in the desired time frame so as to have ability to adjust the 2022 budget appropriately for potential personnel cost increases.
- Personnel Committee Meetings were conducted with MERS representatives to discuss options for the OPEB and moving from Defined Benefit retirement savings plan to a Defined Contribution retirement savings plan. Decisions are pending the results of the MML Salary Study.

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. Requests for additional information on this report can be addressed to the Library Director, Spring Lake District Library, 123 E. Exchange St., Spring Lake, MI 49546.

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BASIC FINANCIAL STATEMENTS

SPRING LAKE DISTRICT LIBRARY

STATEMENT OF NET POSITION

DECEMBER 31, 2021

	Primary Government Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,876,710
Restricted cash and cash equivalents	38,199
Investments	530,189
Receivables	1,211,027
Prepays	35,890
Net other post-employment benefit asset	1,050,666
Capital assets, net	
Land	599,210
Buildings and equipment	<u>4,459,647</u>
Total assets	<u>9,801,538</u>
Deferred outflows of resources	
Pension related	<u>285,323</u>
Liabilities	
Accounts payable and accrued expenses	59,792
Compensated absences	15,941
Noncurrent liabilities	
Net pension liability	<u>127,568</u>
Total liabilities	<u>203,301</u>
Deferred inflows of resources	
Taxes levied for subsequent period	1,224,300
Pension related	214,364
Other post-employment benefits related	<u>117,252</u>
Total deferred inflows of resources	<u>1,555,916</u>
Net Position	
Net investment in capital assets	5,058,857
Restricted for capital projects	467,533
Unrestricted	<u>2,801,254</u>
Total net position	<u>\$ 8,327,644</u>

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

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SPRING LAKE DISTRICT LIBRARY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Functions/Programs</u>	Program Revenues			Net (Expense)
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Revenue</u>	
Primary government				
Governmental activities				
Library	\$ 1,774,580	\$ 104,206	\$ 42,330	\$ (1,628,044)
Interest on long-term debt	5,045	-	-	(5,045)
Total primary government	\$ 1,779,625	\$ 104,206	\$ 42,330	(1,633,089)
General revenues				
Property taxes				
General operating				1,304,544
Debt service				304,762
County penal fines				73,525
State revenues				21,115
Interest earnings				2,410
Total general revenues				1,706,356
Change in net position				73,267
Net position, beginning of year				8,254,377
Net position, end of year				\$ 8,327,644

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

SPRING LAKE DISTRICT LIBRARY

GOVERNMENTAL FUNDS BALANCE SHEET

DECEMBER 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 1,409,177	\$ -	\$ 467,533	\$ 1,876,710
Restricted cash and cash equivalents	38,199	-	-	38,199
Investments	530,189	-	-	530,189
Accounts receivable	1,211,027	-	-	1,211,027
Prepays	35,890	-	-	35,890
Total assets	<u>\$ 3,224,482</u>	<u>\$ -</u>	<u>\$ 467,533</u>	<u>\$ 3,692,015</u>
 Liabilities, deferred inflows, and fund balance				
Liabilities				
Accounts payable and accrued liabilities	\$ 59,792	\$ -	\$ -	\$ 59,792
 Deferred inflows of resources				
Taxes levied for subsequent period	<u>1,224,300</u>	<u>-</u>	<u>-</u>	<u>1,224,300</u>
 Fund balances				
Non-spendable				
Prepaid items	35,890	-	-	35,890
Committed				
Capital projects	-	-	467,533	467,533
Assigned				
Subsequent year expenditures	88,000	-	-	88,000
Unassigned	<u>1,816,500</u>	<u>-</u>	<u>-</u>	<u>1,816,500</u>
Total fund balances	<u>1,940,390</u>	<u>-</u>	<u>467,533</u>	<u>2,407,923</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 3,224,482</u>	<u>\$ -</u>	<u>\$ 467,533</u>	<u>\$ 3,692,015</u>

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

SPRING LAKE 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**

DECEMBER 31, 2021

Fund balances - total governmental funds	\$ 2,407,923
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)	5,058,857
Certain pension and other post-employment benefits related amounts, such as the net other post-employment benefits asset, net pension liability and deferred amounts, are not due and payable in the current period and therefore are not reflected in the funds.	
Add - other post-employment benefits asset	1,050,666
Deduct - net pension liability	(127,568)
Deduct - deferred inflows related to other post-employment benefits	(117,252)
Deduct - deferred inflows related to pension	(214,364)
Add - deferred outflows related to pension	285,323
Certain long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	<u>(15,941)</u>
Net position of governmental activities	<u>\$ 8,327,644</u>

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

SPRING LAKE DISTRICT LIBRARY

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>
Revenues				
Taxes	\$ 1,304,544	\$ 304,762	\$ -	\$ 1,609,306
Intergovernmental				
State revenues	21,115	-	-	21,115
Local revenues	90,770	-	-	90,770
County penal fees	73,525	-	-	73,525
Contributions	42,330	-	-	42,330
Fees and charges	6,419	-	-	6,419
Interest	2,356	7	47	2,410
Miscellaneous	7,017	-	-	7,017
Total revenues	<u>1,548,076</u>	<u>304,769</u>	<u>47</u>	<u>1,852,892</u>
Expenditures				
Current				
Library				
Personnel	889,278	-	-	889,278
Materials	153,461	-	-	153,461
Programming	18,802	-	-	18,802
Technology	33,618	-	-	33,618
Operations	242,230	45	-	242,275
Capital outlay	19,663	-	151,107	170,770
Debt service				
Principal	-	345,000	-	345,000
Interest	-	6,150	-	6,150
Total expenditures	<u>1,357,052</u>	<u>351,195</u>	<u>151,107</u>	<u>1,859,354</u>
Revenues over (under) expenditures	<u>191,024</u>	<u>(46,426)</u>	<u>(151,060)</u>	<u>(6,462)</u>
Other financing sources (uses)				
Transfers in	12,248	15,000	60,000	87,248
Transfers out	(75,000)	(12,248)	-	(87,248)
Total other financing sources (uses)	<u>(62,752)</u>	<u>2,752</u>	<u>60,000</u>	<u>-</u>
Net changes in fund balances	128,272	(43,674)	(91,060)	(6,462)
Fund balances, beginning of year	<u>1,812,118</u>	<u>43,674</u>	<u>558,593</u>	<u>2,414,385</u>
Fund balances, end of year	<u>\$ 1,940,390</u>	<u>\$ -</u>	<u>\$ 467,533</u>	<u>\$ 2,407,923</u>

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

SPRING LAKE 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 DECEMBER 31, 2021

Net changes in fund balances - total governmental funds	\$ (6,462)
<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	270,881
Deduct - depreciation expense	(320,594)
<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 - payment of bond principal	345,000
<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>	
Add - decrease in accrued interest	2,300
Add - decrease in compensated absences	7,252
Add - decrease in net pension liability	32,050
Add - increase in other post-employment benefits asset	244,632
Deduct - decrease in deferred outflows related to pensions	(83,934)
Deduct - increase in deferred inflows related to pensions	(182,956)
Deduct - increase in deferred inflows related to other post-employment benefits	(233,707)
Deduct - amortization of deferred charge on bond refunding	(3,959)
Add - amortization of bond premium	<u>2,764</u>
Change in net position of governmental activities	<u>\$ 73,267</u>

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

SPRING LAKE DISTRICT LIBRARY

**FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION**

DECEMBER 31, 2021

	Retiree Healthcare <u>Trust Fund</u>
Assets	
Investments	\$ 1,192,649
Liabilities	
Accounts payable	<u>-</u>
Net position	
Net position held in trust for OPEB	<u>\$ 1,192,649</u>

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

SPRING LAKE DISTRICT LIBRARY
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Retiree Healthcare Trust Fund</u>
Additions	
Investment earnings	
Interest	\$ 150,409
Deductions	
Participant benefits	10,874
Other expenses	22,342
Administrative expenses	<u>2,078</u>
Total deductions	<u>35,294</u>
Changes in net position	115,115
Net position, beginning of year	<u>1,077,534</u>
Net position, end of year	<u><u>\$ 1,192,649</u></u>

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

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SPRING LAKE DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Spring Lake District Library, Spring Lake, 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 Spring Lake 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 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 and the fiduciary fund 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. County penal fines are recognized when received. 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, County penal fines and other revenues are recognized when received, 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,

SPRING LAKE DISTRICT LIBRARY
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FOR THE YEAR ENDED DECEMBER 31, 2021

state revenue, 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. 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 *Debt Service Fund* accounts for the accumulation of resources for payment of the principal, interest and fees to retire the outstanding long-term debt of the Library.

The *Capital Projects Fund* accounts for resources that are assigned to expenditure for improvements to the library's facility. Revenues were from an initial capital campaign when the Library's current facility was constructed. The unspent balance at completion of construction was released from restriction by a donor (whose contribution exceeded the remaining balance). However, the Board has determined that these resources will continue to be set aside for this purpose.

Additionally, the Library reports the following fund type:

The *Other Post-Employment Benefits Trust Fund* is used to account for the operations of the Library's other post-employment benefits plan.

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. In September of each year, the Library Director submits to the Library Board a proposed operating budget for the fiscal year commencing the following January 1.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to January 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.

SPRING LAKE DISTRICT LIBRARY
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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.
- 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.
- h. The Library OPEB plan is also allowed to invest in corporate debt and equity securities.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist of amounts set aside for services to be provided to Crockery Township based on the terms of a 10-year agreement.

Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are accounted for following the consumption method of accounting.

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.

SPRING LAKE DISTRICT LIBRARY

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FOR THE YEAR ENDED DECEMBER 31, 2021

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

	<u>Years</u>
Buildings and improvements	15-50
Collections	7
Furniture, fixtures, and equipment	5-20

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.

Compensated Absences

Library employees can earn vacation and personal leave time in varying amounts based on length of service. Unused vacation of up to 40 hours and personal leave of up to 240 hours may be accumulated and carried over to a subsequent year. Carryover in excess of these amounts must be approved by management or the Board of Trustees. Compensated absences accrued at year-end, which are subject to payment upon termination, have been included as a liability on the statement of net position and not on the governmental funds balance sheet, as no amount has matured from resignations or retirements.

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 and other post-employment benefits plans in the governmental activities.

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 governmental funds and governmental activities report unearned revenues from property taxes levied for the following year. In addition, the Library reports deferred inflows related to its pension in the governmental activities.

Property Taxes

Property taxes are levied and attach as an enforceable lien on property on December 1. Property taxes are payable through February 14. The property taxes are billed and collected by Spring Lake Township, which then remits the Library's designated portion on a semi-monthly basis. During March of each year, uncollected real property taxes are transferred to Ottawa County which pays the Library for those balances and accepts responsibility for collections. Responsibility for the collection of unpaid personal property taxes remains with Spring Lake Township.

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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.

Transfers are used to move unrestricted revenues collected in the general fund to the capital projects fund for future capital needs.

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.

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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Pensions and Other Post-employment Benefits (OPEB)

For purposes of measuring the net pension liability and net OPEB asset, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan fiduciary net position have been determined on the same basis as they are reported by the 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.

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 the object level, the level at which the budgets of the Library were adopted. During the year ended December 31, 2021, the Library incurred the following expenditures in excess of the appropriated amount:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance (Unfavorable)</u>
Transfers out	\$10,000	\$75,000	\$(65,000)

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	\$1,876,710
Restricted cash and cash equivalents	38,199
Investments	<u>1,722,838</u>
	<u>\$3,637,747</u>

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

Petty cash	\$ 188
Deposits	1,439,812
Certificates of deposit	1,005,098
MERS total market portfolio fund	<u>1,192,649</u>
Total	<u>\$3,637,747</u>

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, \$1,174,368 of the Library's bank balance of \$1,881,132 was exposed to custodial credit risk due to being uninsured or uncollateralized.

SPRING LAKE DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

Investments

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. As of December 31, 2021, the Library's investments in the MERS Total Market Portfolio fund is classified as level 2.

At December 31, 2021 the balance of the MERS Total Market Portfolio fund consisted of the following:

<u>Investment</u>	<u>Percentage of pool total</u>	<u>Maturity in years</u>
Global equity	54%	Not applicable
Global fixed income	23%	Not applicable
Private markets	23%	Not applicable

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. There is no stated maturity date for the Library's investments identified above.

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. There is no risk rating for the MERS fund noted 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. For the above MERS fund, the Library's custodial credit risk exposure cannot be determined because the Library's participation in the fund does 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.

SPRING LAKE DISTRICT LIBRARY
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4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance January 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2021</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 599,210	\$ -	\$ -	\$ 599,210
Capital assets, being depreciated				
Building	5,881,756	136,323	-	6,018,079
Collections	795,408	116,161	95,245	816,324
Furniture and equipment	1,214,657	18,397	39,599	1,193,455
Total capital assets, being depreciated	<u>7,891,821</u>	<u>270,881</u>	<u>134,844</u>	<u>8,027,858</u>
Less accumulated depreciation for				
Building	1,952,986	149,714	-	2,102,700
Collections	385,593	99,727	95,245	390,075
Furniture and equipment	1,043,882	71,153	39,599	1,075,436
Total accumulated depreciation	<u>3,382,461</u>	<u>320,594</u>	<u>134,844</u>	<u>3,568,211</u>
Net capital assets, being depreciated	<u>4,509,360</u>	<u>(49,713)</u>	<u>-</u>	<u>4,459,647</u>
Governmental activities capital assets, net	<u>\$5,108,570</u>	<u>\$(49,713)</u>	<u>\$ -</u>	<u>\$5,058,857</u>

Depreciation expense of \$320,594 was charged to functions/programs of the Library.

5. LONG-TERM DEBT

The following is a summary of the debt transactions of the Library:

	<u>Balance January 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2021</u>	<u>Due Within One Year</u>
Governmental Activities					
2010 refunding bonds due in annual installments of \$10,000 to \$345,000; interest at 2.0-4.0%, due semi-annually through 2021	\$345,000	\$ -	\$345,000	\$ -	\$ -
Unamortized bond premium	2,764	-	2,764	-	-
Accrued compensated absences	23,193	-	7,252	15,941	15,941
	<u>\$370,957</u>	<u>\$ -</u>	<u>\$355,016</u>	<u>\$15,941</u>	<u>\$15,941</u>

SPRING LAKE DISTRICT LIBRARY
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6. PENSION PLANS

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 full-time employees. Benefits provided include a multiplier of 2.5 times final average compensation for those hired prior to December 1, 2018 and a multiplier of 1.75 for those hired after December 1, 2018. The vesting period for benefits is 10 years. Normal retirement age is 60 with early retirement at age 50 with 25 years of service or age 55 with 15. 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, 2020):

Active plan members	7
Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled but not yet receiving benefits	4
Total	15

Contributions

The Library is required to contribute at an actuarially determined rate, which for the current year was \$4,972 per month. Contributions are determined based on position and classification of participating employees. Participating employees are required to contribute from 3% to 5% of gross wages to the Plan based on position and classification. 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 labor agreements.

Net Pension Liability

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

The total pension liability in the December 31, 2020 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: 7.35%, net of investment expense, including inflation

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Mortality rates used for non-disabled plan member were based on a weighted blend of RP-2014 mortality tables of a 50% Male and 50% Female blend. Mortality rates used for disabled plan member were based on a blend of RP-2014 disabled retiree mortality tables of a 50% Male and 50% Female blend of disabled retirees

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

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%	7.75%	3.15%
Global Fixed Income	20.0%	3.75%	0.25%
Private investments	20.0%	9.75%	1.45%
Inflation			2.50%
Administrative fee			0.25%
Investment rate of return			<u>7.60%</u>

Discount rate. The discount rate used to measure the total pension liability is 7.60%. 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.

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Changes in the Net Pension Liability

	Increase (Decrease)		
	Total	Plan	Net Pension
	Pension	Fiduciary	
	Liability	Net Position	Liability
	(a)	(b)	(a)-(b)
Balance at December 31, 2020	\$2,558,088	\$2,398,470	\$159,618
Changes for the Year:			
Service cost	39,249	-	39,249
Interest	189,362	-	189,362
Change in benefits	-	-	-
Differences between expected and actual experience	(13,226)	-	(13,226)
Change in assumptions	162,155	-	162,155
Contributions: employer	-	66,088	(66,088)
Contributions: employee	-	17,007	(17,007)
Net investment income	-	334,841	(334,841)
Benefit payments, including refunds	(172,206)	(172,206)	-
Administrative expense	-	(3,841)	3,841
Other changes	4,505	-	4,505
Net changes	209,839	241,889	(32,050)
Balance at December 31, 2021	\$2,767,927	\$2,640,359	\$127,568

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 7.60%, as well as what the employer's net pension liability would be using a discount rate that is 1 percentage point lower (6.60%) or higher (8.60%) than the current rate.

	Current		
	1% Decrease	Discount rate	1% Increase
Total Pension Liability	\$3,050,536	\$2,767,927	\$2,526,722
Fiduciary Net Position	2,640,359	2,640,359	2,640,359
Net Pension Liability	\$ 410,177	\$ 127,568	\$ (113,637)

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended December 31, 2021 the Library recognized pension expense of \$124,968. 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	\$124,050	\$ 28,009
Differences in assumptions	161,273	-
Excess (deficit) investment returns	-	186,355
Total	\$285,323	\$214,364

SPRING LAKE DISTRICT LIBRARY

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

2022	\$81,328
2023	36,830
2024	(15,982)
2025	(31,217)
2026	-
Thereafter	-
Total	<u>\$70,959</u>

7. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The Library maintains a single-employer defined benefit healthcare plan (the "Plan"). The Plan provides health, dental, and vision insurance benefits to certain retirees and their beneficiaries and is closed to new hires. The Plan is included as an other post-employment benefits trust fund in the Library's financial statements; a stand-alone financial report of the Plan has not been issued.

Benefits provided

The plan provides eligible retirees, their spouses and eligible dependents healthcare benefits matching those received at the time of retirement until they are eligible for Medicare at no incremental cost, at which time the healthcare coverage will become a supplemental insurance.

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (December 31, 2021):

Active plan members	0
Retirees and beneficiaries receiving benefits	<u>2</u>
Total	<u>2</u>

Contributions

The Plan was established and is being funded under the authority of the Library Board of Trustees. The Plan's funding policy is that the employer will contribute any required amounts as determined by an annual actuarial valuation. There are no long-term contracts for contributions to the Plan. The plan has no legally required reserves.

Net OPEB Liability

The total OPEB liability in the December 31, 2021 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.0%
- Salary Increases: 3.0%
- Investment rate of return: 3.0%
- Healthcare cost trend rate: 8.00% per year adjusted downward .25% per year to 4.5%
- 20-year Aa Municipal bond yield: 2.66%
- Mortality rates used IRS 2017 annuitant/non-annuitant mortality

SPRING LAKE DISTRICT LIBRARY

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The actuarial assumptions used in the valuation were determined by management using the best information available and utilizing the State of Michigan mandatory assumptions.

The long-term expected rate of return on OPEB 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>Expected Rate of Return</u>
MERS Total Market Portfolio	100%	7.0%

The sum of each target benefit times its long-term expected real rate is 7.0%. The long-term expected rate of return is 3.0% with inflation.

Discount rate. The discount rate used to measure the total OPEB liability is 7.0%. For projected benefits that are expected to be 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.

Changes in the Net OPEB Liability

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability (Asset)</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balance at December 31, 2020	\$271,500	\$1,077,534	\$ (806,034)
Changes for the Year:			
Service cost	-	-	-
Interest	18,624	-	18,624
Change in benefits	-	-	-
Differences between expected and actual experience	(137,267)	-	(137,267)
Change in assumptions	-	-	-
Contributions: employer	-	-	-
Contributions: employee	-	-	-
Net investment Income	-	128,067	(128,067)
Benefit payments, including refunds	(10,874)	(10,874)	-
Administrative expense	-	(2,078)	2,078
Other changes	-	-	-
Net changes	(129,517)	115,115	(244,632)
Balance at December 31, 2021	\$141,983	\$1,192,649	\$(1,050,666)

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FOR THE YEAR ENDED DECEMBER 31, 2021

Sensitivity of the Net OPEB Liability to changes in the discount rate.

The following presents the net OPEB liability of the employer, calculated using the discount rate of 7.0%, as well as what the employer's net OPEB liability would be using a discount rate that is 1 percentage point lower or higher than the current rate.

	<u>1% Decrease</u>	<u>Current Discount rate</u>	<u>1% Increase</u>
Net OPEB liability (asset)	(\$1,024,521)	(\$1,050,66)	(\$1,072,556)

Sensitivity of the Net OPEB Liability to changes in the healthcare cost trend rates.

The following presents the net OPEB liability of the employer, calculated using the healthcare cost trend rate of 8.00%, as well as what the employer's net OPEB liability would be using a healthcare cost trend rate that is 1 percentage point lower or higher than the current rate.

	<u>1% Decrease</u>	<u>Current healthcare cost trend rate</u>	<u>1% Increase</u>
Net OPEB liability (asset)	(\$1,063,401)	(\$1,050,666)	(\$1,036,491)

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

For the year ended December 31, 2021 the employer recognized OPEB expense of (\$139,243). The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in experience	\$ -	\$ -
Changes in assumptions	-	-
Excess (deficit) investment returns	-	117,252
Total	<u>\$ -</u>	<u>\$117,252</u>

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

2022	\$ 52,297
2023	32,848
2024	21,490
2025	<u>10,617</u>
Total	<u>\$117,252</u>

8. RISK MANAGEMENT

The library is exposed to various risks of loss related to property loss, torts, errors, and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years. There were no significant reductions in insurance coverage during the past year.

SPRING LAKE DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

9. 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 and a restricted fund to provide funding for the support of the Spring Lake 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. At December 31, 2021, balances of the endowment and restricted funds held by the Grand Haven Area Community Foundation were \$3,902,614 and \$242,078 respectively.

10. 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.

Industrial property tax abatements are granted in the State of Michigan under Public Act 198. By State law, the exemption must be applied for no later than six months after commencement of the project, and must be accompanied by a written agreement between the tax payer and the local unit. An exemption allows for taxation on IFT property at 50% of the local property tax millage for a period of 1 to 12 years. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. For the year ended December 31, 2021, the District's property tax revenues were reduced by approximately \$10,000 under this program.

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REQUIRED SUPPLEMENTARY INFORMATION

SPRING LAKE DISTRICT LIBRARY

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,300,600	\$ 1,300,600	\$ 1,304,544	\$ 3,944
Intergovernmental				
State revenues	9,000	9,000	21,115	12,115
Local revenues	71,000	71,000	90,770	19,770
County penal fees	45,000	45,000	73,525	28,525
Contributions	120,000	120,000	42,330	(77,670)
Fees and charges	6,600	6,600	6,419	(181)
Interest	15,000	15,000	2,356	(12,644)
Miscellaneous	38,900	38,900	7,017	(31,883)
Total revenues	<u>1,606,100</u>	<u>1,606,100</u>	<u>1,548,076</u>	<u>(58,024)</u>
Expenditures				
Current				
Library				
Personnel	1,019,000	1,019,000	889,278	129,722
Materials	158,750	158,750	153,461	5,289
Programming	20,000	20,000	18,802	1,198
Technology	50,000	50,000	33,618	16,382
Operations	318,350	318,350	242,230	76,120
Capital outlay	30,000	30,000	19,663	10,337
Total expenditures	<u>1,596,100</u>	<u>1,596,100</u>	<u>1,357,052</u>	<u>239,048</u>
Revenues over (under) expenditures	10,000	10,000	191,024	181,024
Other financing sources (uses)				
Transfers in	-	-	12,248	12,248
Transfers out	(10,000)	(10,000)	(75,000)	(65,000)
Total other financing sources (uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(62,752)</u>	<u>(52,752)</u>
Net changes in fund balance	-	-	128,272	128,272
Fund balance, beginning of year	<u>1,812,118</u>	<u>1,812,118</u>	<u>1,812,118</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,812,118</u>	<u>\$ 1,812,118</u>	<u>\$ 1,940,390</u>	<u>\$ 128,272</u>

SPRING LAKE DISTRICT LIBRARY

**DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN EMPLOYERS NET PENSION
LIABILITY AND RELATED RATIOS**

FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020	2019	2018	2017	2016	2015
Total pension liability							
Service cost	\$ 39,249	\$ 49,214	\$ 38,208	\$ 49,622	\$ 59,095	\$ 54,586	\$ 51,541
Interest	189,362	161,195	165,853	161,162	152,421	133,343	121,509
Changes in benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	(13,226)	248,102	(71,382)	(36,173)	(36,192)	(7,563)	-
Changes in assumptions	162,155	70,261	-	-	-	141,015	-
Benefit payments including employee refunds	(172,206)	(151,046)	(116,738)	(62,206)	(12,077)	(11,820)	(11,563)
Other	4,505	8,449	43,540	(20,787)	(24,190)	(22,702)	(19,440)
Net change in total pension liability	209,839	386,175	59,481	91,618	139,057	286,859	142,047
Total pension liability, beginning of year	2,558,088	2,171,913	2,112,432	2,020,814	1,881,757	1,594,898	1,452,851
Total pension liability, end of year	\$ 2,767,927	\$ 2,558,088	\$ 2,171,913	\$ 2,112,432	\$ 2,020,814	\$ 1,881,757	\$ 1,594,898
Plan Fiduciary Net Position							
Contributions-employer	\$ 66,088	\$ 25,396	\$ 38,898	\$ 58,556	\$ 45,549	\$ 101,483	\$ 23,263
Contributions-employee	17,007	16,766	14,859	11,428	12,325	12,601	12,119
Net investment income (loss)	334,841	275,618	274,693	(83,759)	246,364	183,882	(23,859)
Benefit payments including employee refunds	(172,206)	(151,046)	(116,738)	(62,206)	(12,077)	(11,820)	(11,563)
Administrative expense	(3,841)	(4,438)	(4,733)	(4,117)	(3,889)	(3,611)	(3,438)
Net change in plan fiduciary net position	241,889	162,296	206,979	(80,098)	288,272	282,535	(3,478)
Plan fiduciary net position, beginning of year	2,398,470	2,236,174	2,029,195	2,109,293	1,821,021	1,538,486	1,541,964
Plan fiduciary net position, end of year	\$ 2,640,359	\$ 2,398,470	\$ 2,236,174	\$ 2,029,195	\$ 2,109,293	\$ 1,821,021	\$ 1,538,486
Total net pension liability (asset)	\$ 127,568	\$ 159,618	\$ (64,261)	\$ 83,237	\$ (88,479)	\$ 60,736	\$ 56,412
Plan fiduciary net position as a percentage of the total pension liability	95.4%	93.8%	103.0%	96.1%	104.4%	96.8%	96.5%
Covered employee payroll	\$ 363,468	\$ 411,164	\$ 307,946	\$ 348,345	\$ 410,759	\$ 420,050	\$ 386,322
Employer's net pension liability as a percentage of covered employee payroll	35.1%	38.8%	-20.9%	23.9%	-21.5%	14.5%	14.6%

SPRING LAKE DISTRICT LIBRARY
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions	\$ 66,088	\$ 25,396	\$ 38,898	\$ 58,556	\$ 45,549	\$ 45,483	\$ 23,263
Contributions in relation to the actuarially determined contributions	<u>66,088</u>	<u>25,396</u>	<u>38,898</u>	<u>58,556</u>	<u>45,549</u>	<u>101,483</u>	<u>23,263</u>
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,000</u>	<u>\$ -</u>
Covered employee payroll	\$ 363,468	\$ 411,164	\$ 307,946	\$ 348,345	\$ 410,759	\$ 420,050	\$ 386,322
Contributions as a percentage of covered employee payroll	18%	6%	13%	17%	11%	24%	6%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary increases	2.00% (3.75% for 2015 through 2019)
Investment rate of return	7.35% (7.75% for 2015 through 2019)
Retirement age	Varies depending on plan adoption
Mortality	50% female/ 50% male RP-2014 mortality table

SPRING LAKE DISTRICT LIBRARY

OTHER POST-EMPLOYMENT BENEFITS PLAN SCHEDULE OF CHANGES IN EMPLOYERS NET OPEB LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ -	\$ -	\$ -	\$ 9,040
Interest	18,624	19,410	18,899	24,126
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	(137,267)	(13,598)	(75,565)	(31,086)
Changes in assumptions	-	-	-	-
Benefit payments including employee refunds	(10,874)	(23,198)	(15,698)	(9,622)
Other	-	-	-	-
Net change in total OPEB liability	<u>(129,517)</u>	<u>(17,386)</u>	<u>(72,364)</u>	<u>(7,542)</u>
Total OPEB liability, beginning of year	<u>271,500</u>	<u>288,886</u>	<u>361,250</u>	<u>368,792</u>
Total OPEB liability, end of year	<u>\$ 141,983</u>	<u>\$ 271,500</u>	<u>\$ 288,886</u>	<u>\$ 361,250</u>
Plan Fiduciary Net Position				
Contributions-employer	\$ -	\$ -	\$ -	\$ -
Contributions-employee	-	-	-	-
Net investment income	128,067	122,111	117,767	(32,933)
Benefit payments including employee refunds	(10,874)	(23,198)	(15,698)	(9,622)
Administrative expense	(2,078)	(1,739)	(1,677)	(2,241)
Other	-	-	-	-
Net change in plan fiduciary net position	<u>115,115</u>	<u>97,174</u>	<u>100,392</u>	<u>(44,796)</u>
Plan fiduciary net position, beginning of year	<u>1,077,534</u>	<u>980,360</u>	<u>879,968</u>	<u>924,764</u>
Plan fiduciary net position, end of year	<u>\$ 1,192,649</u>	<u>\$ 1,077,534</u>	<u>\$ 980,360</u>	<u>\$ 879,968</u>
Employer net OPEB liability (asset)	<u>\$ (1,050,666)</u>	<u>\$ (806,034)</u>	<u>\$ (691,474)</u>	<u>\$ (518,718)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	840%	397%	339%	244%
Covered employee payroll	\$ -	\$ -	\$ 48,900	\$ 87,672
Employer's net OPEB liability as a percentage of covered employee payroll	n/a	n/a	-1414%	-592%

SPRING LAKE DISTRICT LIBRARY
OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020	2019	2018
Actuarially determined contributions	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	-	-	-	-
Contribution excess (deficiency)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ -	\$ -	\$ 48,900	\$ 87,672
Contributions as a percentage of covered employee payroll	n/a	n/a	0.0%	0.0%

SCHEDULE OF INVESTMENT RATE OF RETURN

Investment rate of return	11.9%	8.1%	13.5%	-4.9%
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Notes to schedule

Actuarial cost method	Entry Age Normal (level percent)
Amortization method	Level percent, closed
Remaining amortization period	10 years (average future service)
Asset valuation method	Market value
Inflation	2.0%
Salary increases	2.5 (2.0% for 2018)
Investment rate of return	3.0% (3.1% for 2017)
20-year Aa Municipal bond yield	2.66% (3.0% for 2019)
Healthcare cost trend rates	Pre-65 - 8.25% graded .25% per year to 4.5% ultimate rate Medicare - 7.0% graded .25% per year to
Retirement age	Varies depending on plan adoption
Mortality	IRS 2017 annuitant/non-annuitant mortality

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Basis of Accounting

Budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

Pension and OPEB data

The data presented on the schedule of changes in employers net pension liability schedule is based on a December 31 measurement date.

The data presented on the schedule of changes in employers net OPEB liability schedule is based on a December 31 measurement date.

The pension and OPEB schedules are being accumulated prospectively until 10 years of information is presented.