

Muskegon Area District Library
Muskegon, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

December 31, 2023



Muskegon Area District Library

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BRICKLEY DeLONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Muskegon Area District Library
Muskegon, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Muskegon Area District Library, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Muskegon Area District Library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Muskegon Area District Library as of December 31, 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 Muskegon Area District Library and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note M to the financial statements, in the year ended December 31, 2023 the Library adopted new accounting guidance, GASB No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Board of Directors
Muskegon Area District Library
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Required Supplementary Information

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

A handwritten signature in black ink that reads "Brickley DeLong, P.C." The signature is written in a cursive, flowing style.

Muskegon, Michigan
June 14, 2024

Muskegon Area District Library

Library Management's Discussion and Analysis

Brief Discussion of the Basic Financial Statements

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

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

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

Key Highlights

- Connecting our community through digital inclusion efforts continues to be a high priority for MADL. Our mobile Hotspot lending service was expanded to meet rising demand. The program includes 136 lendable devices and another 25 LTE iPad kits. In addition, MADL was successful in receiving a LSTA (Library Services and Technology Act) grant for a laptop dispenser unit which is installed in the Montague Branch. This unit provides 24/7 access to 6 LTE laptops that can be borrowed for up to 3 days.
- Since opening in August 2022, the Laketon Township Branch has seen more than 2,372 visitors and circulation for 2023 was 4,502 since coming online. Library hours were increased in late 2023 to help address this growth. Once again, this summer, MADL will be hosting summer programming in the out-lawn area of the library located at 991 Giles Road.
- The Bookmobile is going strong with a 54% increase in circulation and a mix of public and private (schools) stops. The people count for 2023 is 16,796. The Bookmobile is also providing Storytimes/programs at stops which fulfill a need in the community.
- MADL made many technological advances in 2023 including a website redesign, the development of a new library app and online catalog. Other technology-related improvements were made at several of our locations including installation of 4K Projectors, Audio/Video setups for interactive meetings and large screen displays for multipurpose use.
- A redesign of the Library for the Visually and Physically Disabled's collection has resulted in broader, more diverse offerings. The branch's circulation increased over 4.5% in 2023.
- The MADL Outreach Van attended 18 programs and had 112 items checked out along with 400 interlibrary loan items sent. Most of the events are with the schools and 214 library cards have been issued.
- The Family Place Library at the Egelston Branch provides opportunities for families. As a Family Place Library, we offer additional play-based programming that is very popular. Parents/caregivers are looking for opportunities to gather with other families. These play based programs are just right and help build community. MADL continues to meet with our library partners White Lake Community Library and Hackley Public Library quarterly to share best practices for our Family Place programming. MADL has also grown this partnership to include community storytrail planning and sign purchasing. There are currently 3 storytrail locations in Muskegon County and content is rotated between the locations.

Muskegon Area District Library

Library Management's Discussion and Analysis

- To better accommodate teen library users at the Norton Shores Branch Library, MADL created a dedicated, participatory teen focused space. This space is utilized primarily for programing and unstructured social interaction. This area has become successful in attracting new, teen cohorts and has become a model for future expansion at other locations.
- Recently, the Muskegon Area Bike Library (MABL), which is a collaboration between the Muskegon County Bicycling Coalition (MCBC) and MADL, was recognized by the League of Michigan Bicyclists when awarding MCBC its annual Club of the Year award. The Bike Library, housed at the Muskegon Heights Branch, is a community collaboration that provides long-term loans of bikes to riders of all ages. The program is in its second year and is growing in reach and popularity.
- The National Library Service for the Blind honored MADL's LVPD (Library for the Visually & Physically Disabled) as the Sub-regional Library/Advisory and Outreach center of the year during a ceremony at the Library of Congress. The award recognized MADL for outstanding service to readers with visual, physical, and print disabilities.

Condensed Financial Information

Statement of Net Position

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

Current assets and other assets increased due to cash on hand from large contributions received during the year. Deferred inflows and outflows increase and decrease based on various fluctuations between actual and expected variables in the pension and other postemployment benefit plans. Noncurrent liabilities increased due to the Library's net pension asset changing to a net pension liability during the year due to the same fluctuations between actual and expected variables in the pension plan.

Statement of Net Position

	2023	2022
Current assets and other assets	\$ 8,568,496	\$ 7,190,127
Capital assets, net	4,218,855	4,389,658
Total assets	12,787,351	11,579,785
Deferred outflows of resources	837,008	591,817
Total assets and deferred outflows of resources	13,624,359	12,171,602
Liabilities		
Current	235,638	237,481
Noncurrent	770,515	297,109
	1,006,153	534,590
Total deferred inflows of resources	4,605,171	4,635,640
Total liabilities and deferred inflows of resources	5,611,324	5,170,230
Net position		
Net investment in capital assets	3,977,957	4,124,498
Unrestricted	4,035,078	2,876,874
Total net position	\$ 8,013,035	\$ 7,001,372

Muskegon Area District Library

Library Management's Discussion and Analysis

Statement of Activities

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

Statement of Activities

	2023	2022
General revenues		
Property taxes	\$ 4,188,026	\$ 3,943,474
Grants and contributions	1,137,380	325,782
Fines and forfeitures	219,757	190,411
Other	265,902	85,622
Total revenues	5,811,065	4,545,289
Expenses		
Salaries and wages	2,152,704	1,923,222
Fringe benefits	744,372	574,420
Contracted services	449,727	409,115
Depreciation	640,335	601,132
Other expenses	812,264	880,983
Total expenses	4,799,402	4,388,872
Change in net assets	1,011,663	156,417
Net position at beginning of year	7,001,372	6,844,955
Net position at end of year	\$ 8,013,035	\$ 7,001,372

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

Revenues

- Property tax revenues increased 6.2% due to increasing taxable values. A Headlee Override for the last several years has lowered MADL's millage rate to 1.2230.
- Grants and contributions increased due to large contributions received from community members during the year.
- Fines and forfeitures increased due to higher than anticipated penal fine revenue.
- Other revenues increased due to higher investment earnings caused by rising interest rates.

Muskegon Area District Library

Library Management's Discussion and Analysis

Expenses

- Salaries and wages increased due to higher wages and adoption of a new accounting policy for compensated absences which increased the recognized liability.
- Fringe benefits increased due to higher payroll taxes related to higher wages and increased pension expenses.
- MADL depreciation increased due to depreciation on branch remodels, collection additions, and other small equipment additions.

The Library's Fund

The analysis of the Library's sole fund, the General Fund, is included on pages 10 and 11. Revenues for 2023 were up due to higher taxable value.

The Library's Budget Highlights

The Muskegon Area District Library (MADL), a (Class 6) multi-branch library system with 11 locations, plus a Bookmobile provides service to all of Muskegon County. The library, originally the Muskegon County Library System, was established in 1938 and was succeeded by MADL in 2006.

MADL ended 2023 with the highest circulation in its history: 721,973 items checked out. This was a 5% increase from 2022 and recognizes MADL's success in providing resources and materials that meet the needs of the community. MADL saw increases in all metrics for 2023, except public Wi-Fi use. Highlights include a program attendance of over 26,000, public computer use also saw an increase of over 3,000 sessions. Storyville visits increased by 17% to 14,448 due in large part to the expansion of the program at the Ravenna Branch Library.

While ending 2023 with record circulation and attendance, the growth in use of Library services and resources has stressed MADL's present budget. The Library receives a significant amount of feedback from users indicating that present funding does not adequately meet expectations, particularly concerning the availability of digital materials. Since the pandemic, use of digital media has exploded while use of print and physical formats has remained steady (or even increased to some extent). MADL's present funding has been unable to absorb or sustain such high use of digital content. Since the end of the pandemic response, growth in digital content continues to exceed available financial resources.

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

Revenues

- Contributions were amended higher due to community foundation grants.
- Investment earnings were amended higher due to higher interest rates.

Expenditures

- Fringe benefits were amended down due to lower than anticipated costs.
- Contractual services were amended higher due the plan to switch to MADL's own integrated library system.
- The capital outlay budget was increased due to branch renovation projects that continued through 2023.

Muskegon Area District Library

Library Management's Discussion and Analysis

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

Revenues

- Contributions came in higher than budgeted due to significant unplanned contributions from community members.
- Interest earnings came in higher due higher interest rates.

Expenditures

- Contractual services came in lower than budgeted as the MADL is working toward moving to its own integrated library system and costs for that project, while expected in 2023 will not happen until 2024.
- Capital outlay came in higher than anticipated due to the final branch renovation at the Dalton Branch which carried over into 2023.

Capital Assets and Debt Administration

At the end of the fiscal year, the Library had \$4,218,855 invested in the building, software, equipment, books, and materials net of depreciation. The Library added \$345,803 in new collection items consisting of new books and various audio/visual materials and \$123,729 in other capital expenditures primarily related to renovations of library branch buildings.

The Library's long-term debt activity consists of capped accumulated employee compensated absences (vacation and sick leave) to be paid to eligible employees upon retirement, a note payable for the purchase of equipment, and a lease obligation for the use of a library branch building.

Next Year's Anticipated Budget Factors and Currently Known Facts

The Library's budget for 2024 projects a positive budget for the year and a positive fund balance at year end. The majority of revenues will come from property taxes and penal fines. The remainder of the funds will come from state aid grants to libraries, Universal Service Fund credits, photocopier and fax income and other donations from individuals and groups.

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

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

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

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

The Library's millage to continue library services for 10 years at 1.249 mills was successful on August 2, 2016, and the first levy commenced in 2016. Proposal A of 1994 limited the growth of property taxes in 2020, 2021 and 2022 by reducing MADL's millage rate to 1.2230. MADL continues to raise the level of library service in Muskegon County. Poverty, literacy, and education statistics for Muskegon County prove the need for a better funded library system.

Muskegon Area District Library

Library Management's Discussion and Analysis

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

Many parts of the Strategic Plan are underway. MADL is currently working with Kindred Marketing on a marketing redesign for MADL. A new website was launched late in 2023. A brand-new library app and online catalog were also developed during this period.

Since late 2022, MADL has been working with Hackley Public Library and White Lake Community Library to explore a new, shared, Integrated Library System that more fully supports the unique needs of the partner libraries. This endeavor, the Local Public Library Partnership, continues to explore the costs and feasibility of procuring a system and divesting from the current Lakeland Library Cooperative ILS experience-which serves over 40 libraries across the State. Lack of system oversight, rising costs for the LLC service and other factors have informed this process and each partner library is working with its independent board to determine next, best steps to ensure the continued success and growth of the organization.

MADL offers a wide range of databases for the public including Hoopla, Kanopy, Libby, Overdrive, NewsBank (Muskegon Chronicle online), and Freegal Music to name just a few. MADL also recently added Valueline (stocks), Creative Bug (crafting) Transparent Language and BrainFuse (tutoring). Digital usage continues to rise at a rate that outpaces current funding. MADL continuously evaluates software and usage statistics to make sure we are meeting the needs of Muskegon County in the most financially prudent way possible.

MADL is looking forward to continuing their commitment to strengthen and revitalize public services in all branch locations.

Contacting the Library's Financial Management

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

Muskegon Area District Library
BALANCE SHEET—STATEMENT OF NET POSITION
December 31, 2023

	Balance Sheet - Modified Accrual	Adjustments	Statement of Net Position - Full Accrual
ASSETS			
Cash and cash equivalents	\$ 1,988,898	\$ -	\$ 1,988,898
Investments	1,549,213	-	1,549,213
Receivables			
Property taxes	4,240,910	-	4,240,910
Other	25,287	-	25,287
Prepaid items	122,300	-	122,300
Capital assets, net			
Nondepreciable	-	98,400	98,400
Depreciable	-	4,120,455	4,120,455
Net other post-employment benefits asset	-	641,888	641,888
Total assets	7,926,608	4,860,743	12,787,351
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension	-	793,967	793,967
Related to other postemployment benefits	-	43,041	43,041
Total deferred outflows of resources	-	837,008	837,008
Total assets and deferred outflows of resources	<u>\$ 7,926,608</u>	5,697,751	13,624,359
LIABILITIES			
Accounts payable	\$ 27,009	-	27,009
Accrued liabilities	88,589	-	88,589
Noncurrent liabilities			
Due within one year	-	120,040	120,040
Due in more than one year	-	310,253	310,253
Net pension liability	-	460,262	460,262
Total liabilities	115,598	890,555	1,006,153
DEFERRED INFLOWS OF RESOURCES			
Related to pension	-	93,572	93,572
Related to other postemployment benefits	-	4,041	4,041
Property taxes levied for subsequent fiscal year	4,507,558	-	4,507,558
Total deferred inflows of resources	4,507,558	97,613	4,605,171
Total liabilities and deferred inflows of resources	4,623,156	988,168	5,611,324
FUND BALANCE			
Nonspendable - prepaid items	122,300	(122,300)	-
Unassigned	3,181,152	(3,181,152)	-
Total fund balance	3,303,452	(3,303,452)	-
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 7,926,608</u>		
NET POSITION			
Net investment in capital assets		3,977,957	3,977,957
Unrestricted		4,035,078	4,035,078
Total net position		<u>\$ 8,013,035</u>	<u>\$ 8,013,035</u>

The accompanying notes are an integral part of this statement.

Muskegon Area District Library
**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE—STATEMENT OF ACTIVITIES**
For the year ended December 31, 2023

	Revenues and Expenditures - Modified Accrual	Adjustments	Statement of Activities - Full Accrual
REVENUES			
Property taxes	\$ 4,188,026	\$ -	\$ 4,188,026
Intergovernmental revenues			
Federal	37,885	-	37,885
State	220,073	-	220,073
Charges for services	20,181	-	20,181
Fines and forfeitures	219,757	-	219,757
Investment earnings (loss)	124,849	-	124,849
Contributions	873,015	-	873,015
Reimbursements	6,407	-	6,407
Other	120,872	-	120,872
	<hr/>		<hr/>
Total revenues	5,811,065	-	5,811,065
EXPENDITURES			
Current			
Salaries and wages	2,128,260	24,444	2,152,704
Fringe benefits	800,934	(56,562)	744,372
Operating supplies	93,229	-	93,229
Repairs and maintenance	115,008	-	115,008
Grant expenditures	37,169	(25,094)	12,075
Professional services	30,567	-	30,567
Utilities	12,667	-	12,667
Insurance	28,394	-	28,394
Travel	18,086	-	18,086
Contracted services	449,727	-	449,727
Telephone	102,990	-	102,990
Occupancy	17,933	-	17,933
Other	347,787	-	347,787
Debt service			
Principal	24,262	(24,262)	-
Interest and fees	4,975	-	4,975
Capital outlay	472,991	(444,438)	28,553
Depreciation	-	640,335	640,335
	<hr/>		<hr/>
Total expenditures	4,684,979	114,423	4,799,402
Change in fund balance—net position	1,126,086	(114,423)	1,011,663
Fund balance—net position at beginning of year	2,177,366	4,824,006	7,001,372
	<hr/>		<hr/>
Fund balance—net position at end of year	\$ 3,303,452	\$ 4,709,583	\$ 8,013,035

The accompanying notes are an integral part of this statement.

Muskegon Area District Library
STATEMENT OF NET POSITION
Fiduciary Funds
December 31, 2023

	Other Post- Employment Benefit Trust Fund
ASSETS	
Cash and investments	\$ 1,022,705
LIABILITIES	<u>-</u>
NET POSITION	
Restricted for other post-employment benefits	<u><u>\$ 1,022,705</u></u>

The accompanying notes are an integral part of this statement.

Muskegon Area District Library
STATEMENT OF CHANGES IN NET POSITION
 Fiduciary Funds
 For the year ended December 31, 2023

	Other Post- Employment Benefit Trust Fund
ADDITIONS	
Investment earnings (loss)	\$ 107,176
DEDUCTIONS	
Benefit payments	6,273
Administrative expenses	1,924
Total deductions	<u>8,197</u>
Change in net position	98,978
Net position at beginning of year	<u>923,727</u>
Net position at end of year	<u><u>\$ 1,022,705</u></u>

The accompanying notes are an integral part of this statement.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Basis of Presentation—Government-wide and Fund Financial Statements

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

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

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

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

The Library reports the following major governmental fund:

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

Additionally, the Library reports the following fund type:

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Cash and Investments

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

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

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

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

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

Prepaid Items

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

Capital Assets

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

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

Land and construction in progress are not depreciated. Right-to-use assets of the Library are amortized using the straight-line method over the shorter of the lease period or estimated useful lives. The other property and equipment of the Library are depreciated using the straight-line method over the following estimated useful lives:

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

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Defined Benefit Plan

The Library offers a defined benefit pension plan to its employees through Municipal Employees Retirement System (MERS). The Library records a net pension liability for the difference between the total pension liability calculated by the actuary and the Plan's fiduciary net position. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs

The Library offers a defined benefit retiree healthcare benefits to retirees. The Library records a net other postemployment benefit (OPEB) liability for the difference between the total OPEB liability calculated by the actuary and the OPEB Plan's fiduciary net position. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Leases Payable

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

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditures) until then.

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

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Net Position Flow Assumption

Sometimes the Library will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Library's highest level of decision-making authority. The Library Board is the highest level of decision-making authority for the Library that can, by formal action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by formal action remains in place until a similar action is taken (another formal action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as committed. The Library Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses

Property Taxes

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

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

The 2022 state taxable value for real/personal property of the Library totaled approximately \$3,420,000,000. The ad valorem taxes levied consisted of 1.223 mills for operation.

Compensated Absences

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

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

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

Excess of Expenditures over Appropriations

During the year ended December 31, 2023, actual expenditures exceeded appropriations for capital outlay by \$51,491. This over-expenditure was funded with available fund balance.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE C—DEPOSITS AND INVESTMENTS

As of December 31, 2023, the Library had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Months)	S&P	Percent
Money market mutual fund	\$ 13,420	1	not rated	0.5 %
U.S. agency obligations	450,862	27	AA+	17.5
U.S. treasury securities	1,084,930	20	not rated	42.2
MERS investment funds	1,022,705	N/A	not rated	39.8
Total fair value	\$ 2,571,917			100.0 %
Portfolio weighted average maturity		N/A		

Deposit and Investment Risks

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Deposit and Investment Risks—Continued

Custodial Credit Risk - Deposits

The Library does not have a custodial credit risk policy for deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. As of December 31, 2023, \$1,555,010 of the Library's bank balance of \$2,055,010 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments

The Library does not have a custodial credit risk policy for investments. In an investment, this is the risk that in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign Currency Risk

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

NOTE D—FAIR VALUE MEASUREMENTS

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

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

Level 2 Inputs to the valuation methodology include the following:

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

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

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

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

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE D—FAIR VALUE MEASUREMENTS—Continued

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2023.

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

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

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

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

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

The following table sets forth by level, within the fair value hierarchy, the Library's assets at fair value on a recurring basis as of December 31, 2023:

	Assets at Fair Value as of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Money market mutual fund	\$ -	\$ 13,420	\$ -	\$ 13,420
U.S. agency obligations	450,862	-	-	450,862
U.S. treasury securities	1,084,930	-	-	1,084,930
MERS investment funds	-	1,022,705	-	1,022,705
Total assets at fair value	\$ 1,535,792	\$ 1,036,125	\$ -	\$ 2,571,917

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE E—CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 was as follows:

	Balance January 1, 2023	Additions	Deductions	Balance December 31, 2023
Capital assets, not being depreciated:				
Land	\$ 98,400	\$ -	\$ -	\$ 98,400
Capital assets, being depreciated/amortized:				
Building and improvements	3,455,350	-	-	3,455,350
Library books, periodicals, etc.	2,513,835	345,803	267,719	2,591,919
Furniture and equipment	747,867	123,729	-	871,596
Right-to-use—building	250,343	-	-	250,343
Total capital assets, being depreciated/amortized	6,967,395	469,532	267,719	7,169,208
Less accumulated depreciation/amortized:				
Building and improvements	664,925	194,435	-	859,360
Library books, periodicals, etc.	1,605,924	354,552	267,719	1,692,757
Furniture and equipment	387,406	73,466	-	460,872
Right-to-use—building	17,882	17,882	-	35,764
Total accumulated depreciation/amortization	2,676,137	640,335	267,719	3,048,753
Total capital assets, being depreciated/amortized, net	4,291,258	(170,803)	-	4,120,455
Capital assets, net	\$ 4,389,658	\$ (170,803)	\$ -	\$ 4,218,855

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE F—LONG-TERM LIABILITIES

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Library for the year ended December 31, 2023:

	<u>Balance January 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2023</u>	<u>Due Within One Year</u>
Direct borrowing and direct placements					
Installment purchase obligations	\$ 28,623	\$ -	\$ 9,900	\$ 18,723	\$ 10,101
Leases	236,537	-	14,362	222,175	14,939
Compensated absences*	164,951	24,444	-	189,395	95,000
	<u>\$ 430,111</u>	<u>\$ 24,444</u>	<u>\$ 24,262</u>	<u>\$ 430,293</u>	<u>\$ 120,040</u>

* The change in the compensated absences liability is presented as a net change.

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

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

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Balance</u>
Direct borrowings and direct placements			
Installment purchase obligations			
2020 installment purchase agreement - Leaf copiers	2.188%	December 2025	<u>\$ 18,723</u>

Annual debt service requirements to maturity for direct borrowing and direct placement as of December 31, 2023 follow:

	<u>Governmental Activities</u>	
	<u>Notes from Direct Borrowings and Direct Placements</u>	
<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 10,101	\$ 327
2025	8,622	104
	<u>\$ 18,723</u>	<u>\$ 431</u>

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE G—LEASES

The Library leases the right to use a building from a third party under a lease agreement. Payments on the lease are generally fixed monthly amounts. The lease term is through 2035 and has a discount rate of 2 percent.

Right-to-use leased building assets are included in Note E. Lease obligations are included in Note F.

The annual requirements of principal and interest to amortize the lease obligations outstanding as of December 31, 2023 follow:

Year Ending December 31,	Governmental Activities	
	Leases	
	Principal	Interest
2024	\$ 14,939	\$ 4,307
2025	15,532	4,003
2026	16,139	3,687
2027	16,765	3,358
2028	17,408	3,017
2029-2033	97,315	9,499
2034-2035	44,077	928
	\$ 222,175	\$ 28,799

NOTE H—OTHER INFORMATION

Risk Management

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

Community Foundation

The Community Foundation for Muskegon County has established various endowment funds for the Library which have not been included in the financial statements. These funds are accounted for and administered by the Community Foundation for Muskegon County. At December 31, 2023, these funds were valued at approximately \$186,000.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE I—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Defined Benefit Pension Plan—MERS

Plan Description

The Library's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The Library participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS website at www.mersofmich.com.

Benefits Provided

The Plan covers all full-time employees hired after March 2001.

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

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

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	10
Active employees	24
Total employees covered by MERS	<u><u>45</u></u>

Contributions

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

For the year ended December 31, 2023, the Library had an annual flat-dollar employer contribution to the plan for employees hired prior to December 31, 2010 of \$65,412 in lieu of a percentage of covered employee payroll. These employees are required to contribute 2.34% of gross wages.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE I—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Defined Benefit Pension Plan—MERS—Continued

Contributions—Continued

For the year ended December 31, 2023, the Library contribution rate to the plan for employees hired after December 31, 2010 was 12% based on annual covered payroll. These employees are required to contribute 2.25% of gross wages.

For the year ended December 31, 2023, the Library also made an additional contribution to the plan of \$60,000.

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.

Actuarial Assumptions

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

Inflation	2.5 percent
Salary increases	3 percent in the long-term
Investment rate of return	7.00 percent, net of administrative and investment expenses including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.0 percent long-term wage inflation assumption would be consistent with a price inflation of 3-4 percent. Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019.

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

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

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

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE I—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Defined Benefit Pension Plan—MERS—Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent for 2022. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expense. The projection of cash flows used to determine the discount rate assumed that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at January 1, 2022	\$ 3,772,408	\$ 3,929,280	\$ (156,872)
Changes for the year			
Service costs	151,678	-	151,678
Interest	273,751	-	273,751
Experience differences	64,464	-	64,464
Contributions - employer	-	253,656	(253,656)
Contributions - employee	-	32,300	(32,300)
Net investment income	-	(405,767)	405,767
Administrative expenses	-	(7,430)	7,430
Benefit payments including refund of employee contributions	(144,712)	(144,712)	-
Net changes	345,181	(271,953)	617,134
Balance at December 31, 2022	\$4,117,589	\$ 3,657,327	\$ 460,262

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE I—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Defined Benefit Pension Plan—MERS—Continued

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Library's net pension liability	\$ 942,709	\$ 460,262	\$ 54,763

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

For the year ended December 31, 2023, the Library recognized pension expense of \$259,329. At December 31, 2023, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ 58,939	\$ 93,572
Differences in assumptions	160,357	-
Net difference between projected and actual net investment income	332,934	-
Contributions subsequent to the measurement date*	241,737	-
Total	\$ 793,967	\$ 93,572

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability (asset) for the year ending December 31, 2024.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE I—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Defined Benefit Pension Plan—MERS—Continued

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

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 92,535
2025	100,916
2026	113,216
2027	151,991

Payables to the Pension Plan

At December 31, 2023 the Library had no payables to the defined benefit pension plan.

NOTE J— OTHER POST-EMPLOYMENT BENEFITS

Retiree Healthcare Plan

Plan Description

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

Benefits Provided

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

Employees Covered by Benefit Terms

At the December 31, 2023 valuation, the following employees were covered by the benefit terms:

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

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE J— OTHER POST-EMPLOYMENT BENEFITS

Retiree Healthcare Plan—Continued

Contributions

The OPEB Plan's funding policy is that the Organization will make discretionary contributions. There are no long-term contracts for contributions to the OPEB Plan. The OPEB Plan has no legally required reserves. For the year ended December 31, 2023, the Organization made no payments for postemployment healthcare benefits for current retirees.

Net OPEB Liability

The Organization's net OPEB liability was measured as of December 31, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an annual actuarial valuation as of December 31, 2022, which was rolled forward to December 31, 2023.

Actuarial Assumptions

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

Inflation	2.5 percent
Salary increases	2.0 percent
Investment rate of return	7.00 percent (including inflation)
Healthcare cost trend rates	Pre-65: 7.25 percent for two years, then graded down to 4.5 percent by .25 percent per year Post-65: 5.5 percent for two years, then graded down to 4.5 percent by .25 percent per year

Mortality

Mortality rates were as set forth in the 2010 Public General Employees and Healthy Retirees, head-count weighted, MP-2021 improvement scale.

Investment Rate of Return

The long-term rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of December 31, 2023 are summarized in the following table:

Asset Class	Target Allocation	Target Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global Equity	60.0%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20.0%	4.50%	0.90%	2.50%	0.40%
Private Assets	20.0%	9.50%	1.90%	2.50%	1.40%
Total	100.0%		7.0%		4.5%

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE J—OTHER POST-EMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Investment Rate of Return

The sum of each target allocation times its long-term expected real rate, plus inflation, is 7.00 percent.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows to determine the discount rate assumed that the Library will use assets to pay all future benefits. Based on this assumption, the OPEB Plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the total OPEB liability. The discount rate used to calculate the liability at the beginning of the year was 7.00 percent.

Changes in the Net OPEB Asset

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Position (b)	Net OPEB (Asset) (a)-(b)
Balance at January 1, 2023	\$ 359,507	\$ 923,727	\$ (564,220)
Changes for the year			
Service cost	7,754	-	7,754
Interest	25,488	-	25,488
Difference between expected and actual experience	(8,614)	-	(8,614)
Changes of assumptions	2,955	-	2,955
Net investment income	-	107,175	(107,175)
Administrative expenses	-	(1,924)	1,924
Benefit payments including refund of employee contributions	(6,273)	(6,273)	-
Net changes	21,310	98,978	(77,668)
Balance at December 31, 2023	\$ 380,817	\$ 1,022,705	\$ (641,888)

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE J—OTHER POST-EMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

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

The following presents the net OPEB asset of the Library, calculated using the discount rate of 7.00 percent, as well as what the Library's net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Organization's net OPEB asset	\$ (607,863)	\$ (641,888)	\$ (671,131)

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

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

	1% Decrease (6.25%)	Current Healthcare Cost Trend Rates (7.25%)	1% Increase (8.25%)
Organization's net OPEB asset	\$ (678,718)	\$ (641,888)	\$ (598,773)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB Plan's fiduciary net position is not available in a separately issued financial report. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the Organization's fiduciary net position have been determined on the same basis as they are reported by the Organization. For these purposes, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE J—OTHER POST-EMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

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

For the year ended December 31, 2023, the Organization recognized OPEB expense of (\$74,154). At December 31, 2023, the Organization reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$ 4,041
Differences in assumptions	1,183	-
Net difference between projected and actual net investment income	41,858	-
Total	\$ 43,041	\$ 4,041

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

Year Ending December 31,	Amount
2024	\$ 3,319
2025	15,921
2026	28,321
2027	(8,561)

Payables to the OPEB Plan

At December 31, 2023, the Library did not have a payable to the OPEB Plan.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE K—TAX ABATEMENTS

Industrial Facilities Exemption

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

City of Muskegon Heights

For the year ended December 31, 2023, Library property taxes were reduced by \$1,555 under this program.

Muskegon Township

For the year ended December 31, 2023, Library property taxes were reduced by \$2,936 under this program.

City of Norton Shores

For the year ended December 31, 2023, Library property taxes were reduced by \$11,317 under this program.

All other Municipalities

For the year ended December 31, 2023, Library property taxes were reduced by \$2,343 under this program.

**NOTE L—RECONCILIATION OF FUND FINANCIAL STATEMENTS TO
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Total fund balance—governmental fund	\$ 3,303,452
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Amounts reported for governmental activities in the Statement of Net Position
are different because:

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

Cost of capital assets	\$7,267,608	
Accumulated depreciation and amortization	<u>(3,048,753)</u>	4,218,855

Long-term obligations in governmental activities are not due and payable in the
current period and, therefore, are not reported in the governmental fund.

Notes payable and other obligations	(240,898)	
Compensated absences	(189,395)	
Net pension asset and related deferred outflows/inflows of resources	240,133	
Other postemployment benefits asset and related deferred outflows/inflows of resources	<u>680,888</u>	<u>490,728</u>

Net position of governmental activities	<u><u>\$8,013,035</u></u>
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Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

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

Net change in fund balance—total governmental fund	\$ 1,126,086
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Amounts reported for government activities in the Statement of Activities
are different because:

Governmental funds report outlays for capital assets as expenditures.

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

Depreciation/amortization expense	\$ (640,335)	
Capital outlay	469,532	(170,803)

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

Change in compensated absences	(24,444)	
Change in net pension asset and related deferred outflows/inflows of resources	(17,592)	
Change in other postemployment benefits asset and related deferred outflows/inflows of resources	74,154	32,118

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

Repayment of principal on long-term debt	24,262	
Change in net position in governmental activities		\$ 1,011,663

NOTE M—CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2023, the Library implemented the following new pronouncement: GASB
Statement No. 101—*Compensated Absences*.

Governmental Accounting Standards Board (GASB) Statement No. 101—*Compensated Absences*, was issued
by the GASB in June 2022. The objective of this Statement is to better meet the information needs of
financial statement users by aligning the recognition and measurement guidance under a unified model and by
amending certain previously required disclosures. The unified recognition and measurement model in this
Statement will result in a liability for compensated absences that more appropriately reflects when a
government incurs an obligation. In addition, the model can be applied consistently to any type of
compensated absence and will eliminate potential comparability issues between governments that offer
different types of leave. The model also will result in a more robust estimate of the amount of compensated
absences that a government will pay or settle, which will enhance the relevance and reliability of information
about the liability for compensated absences.

The implementation has no impact on beginning net position, and results in an increase in salaries and wages
for the government-wide financial statements of approximately \$3,200 for the year ended December 31, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

Muskegon Area District Library
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
For the year ended December 31, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Property taxes	\$ 4,249,997	\$ 4,209,997	\$ 4,188,026	\$ (21,971)
Intergovernmental revenues				
Federal	50,000	43,851	37,885	(5,966)
State	196,400	219,306	220,073	767
Charges for services	16,000	20,000	20,181	181
Fines and forfeitures	182,000	216,926	219,757	2,831
Investment earnings (loss)	3,000	50,000	124,849	74,849
Contributions	5,000	192,940	873,015	680,075
Reimbursements	14,000	8,000	6,407	(1,593)
Other	107,000	119,169	120,872	1,703
Total revenues	4,823,397	5,080,189	5,811,065	730,876
Expenditures				
Current				
Salaries and wages	2,223,681	2,188,205	2,128,260	59,945
Fringe benefits	967,162	853,468	800,934	52,534
Operating supplies	106,000	100,300	93,229	7,071
Repairs and maintenance	114,000	110,000	115,008	(5,008)
Grant expenditures	50,000	40,000	37,169	2,831
Professional services	45,784	46,995	30,567	16,428
Utilities	17,200	17,700	12,667	5,033
Insurance	27,700	34,450	28,394	6,056
Travel	19,000	19,300	18,086	1,214
Contracted services	465,000	560,000	449,727	110,273
Telephone	127,400	100,540	102,990	(2,450)
Occupancy	19,500	21,000	17,933	3,067
Other	374,300	378,050	347,787	30,263
Debt service				
Principal	10,000	25,000	24,262	738
Interest and fees	550	5,145	4,975	170
Capital outlay	362,000	421,500	472,991	(51,491)
Total expenditures	4,929,277	4,921,653	4,684,979	236,674
Net change in fund balance	\$ (105,880)	\$ 158,536	1,126,086	\$ 967,550
Fund balance at beginning of year			2,177,366	
Fund balance at end of year			\$ 3,303,452	

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

	2022	2021	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY								
Service cost	\$ 151,678	\$ 149,448	\$ 138,988	\$ 124,337	\$ 117,974	\$ 111,268	\$ 94,052	\$ 104,181
Interest	273,751	264,450	237,594	227,628	206,680	190,275	189,533	168,674
Differences between expected and actual experience	64,464	(111,625)	(42,532)	(47,907)	44,203	(16,125)	(213,257)	(27,326)
Changes of assumptions	-	137,602	148,088	92,805	-	-	-	143,399
Benefit payments, including refunds of employee contributions	(144,712)	(144,690)	(123,303)	(123,304)	(97,087)	(70,314)	(69,007)	(49,462)
Net change in total pension liability	345,181	295,185	358,835	273,559	271,770	215,104	1,321	339,466
Total pension liability at beginning of year	3,772,408	3,477,223	3,118,388	2,844,829	2,573,059	2,357,955	2,356,634	2,017,168
Total pension liability at end of year (a)	\$ 4,117,589	\$ 3,772,408	\$ 3,477,223	\$ 3,118,388	\$ 2,844,829	\$ 2,573,059	\$ 2,357,955	\$ 2,356,634
PLAN FIDUCIARY NET POSITION								
Contributions-employer	\$ 253,656	\$ 311,110	\$ 238,288	\$ 209,372	\$ 169,151	\$ 146,216	\$ 97,945	\$ 103,140
Contributions-employee	32,300	32,239	28,987	26,265	24,270	22,144	18,421	19,012
Net investment income	(405,767)	475,044	379,661	323,061	(96,174)	267,303	199,830	(26,398)
Benefit payments, including refunds of employee contributions	(144,712)	(144,690)	(123,303)	(123,304)	(97,087)	(70,314)	(69,007)	(49,462)
Administrative expense	(7,430)	(5,450)	(5,706)	(5,570)	(4,624)	(4,214)	(3,938)	(3,770)
Net change in plan fiduciary net position	(271,953)	668,253	517,927	429,824	(4,464)	361,135	243,251	42,522
Plan fiduciary net position at beginning of year	3,929,280	3,261,027	2,743,100	2,313,276	2,317,740	1,956,605	1,713,354	1,670,832
Plan fiduciary net position at end of year (b)	\$ 3,657,327	\$ 3,929,280	\$ 3,261,027	\$ 2,743,100	\$ 2,313,276	\$ 2,317,740	\$ 1,956,605	\$ 1,713,354
Library's net pension (asset) liability at end of year (a)-(b)	\$ 460,262	\$ (156,872)	\$ 216,196	\$ 375,288	\$ 531,553	\$ 255,319	\$ 401,350	\$ 643,280
Plan fiduciary net position as a percentage of the total pension liability	88.82%	104.16%	93.78%	87.97%	81.32%	90.08%	82.98%	72.70%
Covered employee payroll	\$ 1,334,528	\$ 1,423,456	\$ 1,325,258	\$ 1,207,751	\$ 1,079,931	\$ 963,823	\$ 808,164	\$ 887,423
Library's net pension (asset) liability as a percentage of covered employee payroll	34.49%	-11.02%	16.31%	31.07%	49.22%	26.49%	49.66%	72.49%

Notes to Schedule

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

The following were significant changes to actuarial assumptions:

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

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

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

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

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 173,580	\$ 180,084	\$ 142,476	\$ 165,140	\$ 115,020	\$ 107,678	\$ 115,317	\$ 93,445	\$ 103,140	\$ 87,579
Contributions in relation to the actuarially determined contribution	241,737	253,656	311,110	238,288	211,035	169,151	146,392	97,945	103,140	87,579
Contribution deficiency (excess)	<u>\$ (68,157)</u>	<u>\$ (73,572)</u>	<u>\$(168,634)</u>	<u>\$ (73,148)</u>	<u>\$ (96,015)</u>	<u>\$ (61,473)</u>	<u>\$(31,075)</u>	<u>\$ (4,500)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	Not available	\$ 1,334,528	\$ 1,423,456	\$ 1,325,258	\$ 1,207,751	\$ 1,079,931	\$ 963,823	\$ 808,164	\$ 887,423	\$ 670,473
Contributions as percentage of covered employee payroll	Not available	19.0%	21.9%	18.0%	17.5%	15.7%	15.2%	12.1%	11.6%	13.1%

Notes to Schedule

Valuation Date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	16 years
Asset Valuation method	5-year smoothed market
Inflation	2.5 percent
Salary increases	3 percent in the long-term
Investment rate of return	7.00 percent, net of investment and administrative expenses
Retirement age	Varies depending on plan adoption
Mortality	Based on a version of Pub-2010 and fully generational MP-2019

Muskegon Area District Library
Required Supplementary Information

RETIREE HEALTHCARE SYSTEM SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years (Amounts were determined as of December 31 of each fiscal year)

	2023	2022	2021	2020	2019	2018	2017
TOTAL OPEB LIABILITY							
Service cost	\$ 7,754	\$ 6,032	\$ 6,880	\$ 7,866	\$ 6,906	\$ 8,158	\$ 7,571
Interest	25,488	30,257	29,292	33,581	30,841	32,567	29,203
Differences between expected and actual experience	(8,614)	(88,833)	(3,642)	(91,200)	(1,803)	(65,647)	(1,925)
Changes of assumptions	2,955	9,906	(10,968)	531	30,165	10,959	14,078
Benefit payments, including refunds of employee contributions	(6,273)	(6,982)	(8,162)	(8,159)	(8,103)	(6,004)	(4,896)
Net change in total OPEB liability	21,310	(49,620)	13,400	(57,381)	58,006	(19,967)	44,031
Total OPEB liability at beginning of year	359,507	409,127	395,727	453,108	395,102	415,069	371,084
Total OPEB liability at end of year (a)	\$ 380,817	\$ 359,507	\$ 409,127	\$ 395,727	\$ 453,108	\$ 395,102	\$ 415,115
PLAN FIDUCIARY NET POSITION							
Contributions-employer	\$ -	\$ 90	\$ -	\$ -	\$ -	\$ 6,004	\$ 5,152
Net investment income	107,175	(108,236)	129,332	108,782	98,994	(27,705)	89,864
Benefit payments, including refunds of employee contributions	(6,273)	(6,982)	(8,162)	(8,159)	(14,108)	(6,004)	(3,711)
Administrative expense	(1,924)	(1,703)	(1,789)	(1,473)	(1,410)	(1,872)	(1,738)
Net change in plan fiduciary net position	98,978	(116,831)	119,381	99,150	83,476	(29,577)	89,567
Plan fiduciary net position at beginning of year	923,727	1,040,558	921,177	822,027	738,551	768,128	678,561
Plan fiduciary net position at end of year (b)	\$ 1,022,705	\$ 923,727	\$ 1,040,558	\$ 921,177	\$ 822,027	\$ 738,551	\$ 768,128
Organization's net OPEB asset at end of year (a)-(b)	\$ (641,888)	\$ (564,220)	\$ (631,431)	\$ (525,450)	\$ (368,919)	\$ (343,449)	\$ (353,013)
Plan fiduciary net position as a percentage of the total OPEB asset	268.56%	256.94%	254.34%	232.78%	181.42%	186.93%	185.04%
Covered employee payroll	\$ 317,254	\$ 319,318	\$ 325,836	\$ 275,069	\$ 273,855	\$ 266,178	Not Available
Organization's net OPEB asset as a percentage of covered employee payroll	202.33%	176.70%	193.79%	191.02%	134.71%	129.03%	Not Available

Notes to Schedule

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

The following assumptions changed since the prior valuation:

Medical trend updated.

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ (66,290)	\$ (59,178)	\$ (55,325)	\$ (35,472)	\$ (33,703)	\$ (35,021)
Contributions in relation to the actuarially determined contribution	-	90	-	-	-	6,004	5,152	32,422	28,548	30,749
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (90)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (66,290)</u>	<u>\$ (65,182)</u>	<u>\$ (60,477)</u>	<u>\$ (67,894)</u>	<u>\$ (62,251)</u>	<u>\$ (65,770)</u>
Covered employee payroll	\$ 317,254	\$ 319,318	\$ 325,836	\$ 275,069	\$ 273,855	\$ 266,178	Not Available	Not Available	\$ 508,041	\$ 508,041
Contributions as percentage of covered employee payroll	Not Available	Not Available	Not Available	Not Available	-24.2%	-22.2%	Not Available	Not Available	-6.6%	-6.9%

Notes to Schedule

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

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31, 2022, rolled forward to December 31, 2023.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal (level percentage of compensation)
Amortization method	Level percentage of payroll
Remaining amortization period	4 years
Asset valuation method	Equal to market value of assets
Salary increases	2.0 percent
Investment rate of return	7.00 percent (including inflation), net of administrative and investment expenses
Retirement age	55 - 60 years of age
Mortality	Mortality rates were as set forth in the 2010 Public General Employees and Healthy Retirees, headcount-weighted, with MP-2021 improvement scale.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	11.65%	-10.44%	14.12%	13.31%	13.55%	-3.61%	13.25%

Notes to Schedule

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