



Spring Lake District Library

SPRING LAKE, MICHIGAN

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020



Vredeveld Haefner LLC
CPAs and Consultants

SPRING LAKE DISTRICT LIBRARY

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INDEPENDENT AUDITORS' REPORT

April 6, 2021

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Spring Lake District Library, Spring Lake, Michigan, as of and for the year ended December 31, 2020, and the notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Spring Lake District Library, as of December 31, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and other information on pages 35 through 39 be presented to supplement the basic financial statements. Such information, 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

About the Library

As management of the Spring Lake District Library ("the Library"), we offer readers of the Spring Lake District Library financial statements this narrative review and analysis of the financial activities for the year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the Library exceeded its liabilities and deferred inflows of resources at year end by \$8,254,377 (net position).
- The Library's total net position increased by \$663,787.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

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

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

Fund financial statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the Statement of Net Position with the Governmental Funds Balance Sheet, and the Statement of Activities with the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance. By doing so, readers may better understand the long-term impact of the

Library's near-term financing decisions. Reconciliations of fund financial statements with government-wide financial statements are provided to facilitate this comparison.

The Library maintains three governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and the Capital Projects Fund, which are all considered to be major funds.

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

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

Notes to the financial statements

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

Other information

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

Government-wide Financial Analysis

The following table presents condensed information about the Library's financial position for the past two fiscal years. Total net position includes the investment in capital assets. Capital assets represent the capital assets held by the Library, net of related accumulated depreciation. As of the year ended December 31, 2020, the library's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$8,254,377.

	<u>2020</u>	<u>2019</u>
Current and other assets	\$4,849,449	\$4,669,423
Capital assets, net	5,108,570	5,301,342
Total assets	9,958,019	9,970,765
Deferred outflows of resources	489,671	168,052
Current and other liabilities	420,858	42,660
Long-term liabilities	159,618	750,435
Total liabilities	580,476	793,095
Deferred inflows of resources	1,612,837	1,755,132
Net position		
Net investment in capital assets	4,756,847	4,623,207
Restricted	602,267	938,994
Unrestricted	2,895,263	2,028,389
Total net position	\$8,254,377	\$7,590,590

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

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

Revenues and Expenses

The Library's net position increased \$633,787 during the year ended December 31, 2020. Current year revenues exceeded current year expenses primarily due to lower staff costs and changes in pension and OPEB liabilities and related inflows and outflows. A summary of revenues and expenses for the past two fiscal years is presented below.

	<u>2020</u>	<u>2019</u>
Program revenues		
Charges for services	\$ 94,734	\$ 29,202
Grants and contributions	36,035	203,570
General revenues		
Property taxes	1,687,576	1,638,265
Penal fines	52,272	68,135
State revenue	14,619	16,954
Unrestricted investment earnings	29,717	45,717
	<hr/>	<hr/>
Total revenues	1,914,953	2,001,843
	<hr/>	<hr/>
Functions/program expenses		
Library	1,235,796	1,461,257
Interest on long-term debt	15,370	30,359
	<hr/>	<hr/>
Total expenses	1,251,166	1,491,616
	<hr/>	<hr/>
Change in net position	663,787	510,227
	<hr/>	<hr/>
Net position, beginning of year	7,590,590	7,080,363
	<hr/>	<hr/>
Net position, end of year	\$8,254,377	\$7,590,590

Financial Analysis of the Library's Funds

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

The focus of the Library's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Library's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Library's governmental funds reported combined ending fund balances of \$2,414,385, an increase of \$213,568 from the prior year primarily due to increased taxable values and lower cost due to COVID mandated closure of the Library.

The general fund is the chief operating fund of the Library. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,812,118, which is what make up the total fund balance. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 162.2% of total general fund expenditures and transfers.

The Library's revenues in the general fund were \$1,569,461, a decrease from the prior year of \$88,585. Property tax revenues, which make up 86% of general fund revenues, increased 8% from the previous year. Total general fund revenues decreased by 4.3% overall compared to the previous year, mainly due to Library services being shut down during COVID-19 closures.

General fund expenditures amounted to \$1,334,638, a decrease of \$102,119 from the prior year or 7.1%. General fund expenditures decreased in the current year due to staffing changes and reduced utility/custodial costs as a result of COVID-19 building closures.

The Library's debt service fund millage rate is used to pay principal and interest bonds payable. The fund balance of the debt service fund decreased by \$7,381 from the prior year.

The Library's balance of the capital projects fund increased by \$203,726 primarily due to a transfer in from the general fund of \$217,600.

General Fund Budgetary Highlights

Grants – Several grants were received in fiscal year 2019-2020:

- Library of Michigan, LSTA Multi-year T-Mobile Hotspot Grant (approximately \$4,000 in fiscal year 2020)
- Library of Michigan, \$2,000 grant received which was used for a book bike
- Library of Michigan, COVID relief grant for personal protection equipment \$500

Capital Assets and Long-Term Debt Activity

Capital assets The Library's investment in capital assets for its governmental activities as of June 30, 2020, amounted to \$5,108,570 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and furniture, and books.

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

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

Long-term debt At the end of the current fiscal year, the Library had total long-term debt outstanding of \$345,000.

Long-term debt activity consisted of payments on outstanding bonds totaling \$330,000.

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

Economic Factors and Next Year's Budget

The following were considered in preparing the Library's budget for the year ending December 31, 2021:

- Preparing for future repair and replacement projects due to the age of the building was a priority.
- Rebuilding the Capital Projects Fund for future repair and replacement projects was a priority.

Contacting the Library Management

This management discussion and analysis provides an overview of the current and prospective financial condition of the Library's operations and financial position. Requests for additional information on this report can be addressed to the Library Director, Spring Lake District Library, 123 E. Exchange St., Spring Lake, MI 49546.

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BASIC FINANCIAL STATEMENTS

SPRING LAKE DISTRICT LIBRARY

STATEMENT OF NET POSITION

DECEMBER 31, 2020

	Primary Government Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,862,860
Restricted cash and cash equivalents	49,251
Investments	534,370
Receivables	1,548,773
Prepays	48,161
Net other post-employment benefit asset	806,034
Capital assets, net	
Land	599,210
Buildings and equipment	<u>4,509,360</u>
Total assets	<u>9,958,019</u>
Deferred outflows of resources	
Deferred charge on refunding	3,959
Pension related	369,257
Other post-employment benefits related	<u>116,455</u>
Total deferred outflows of resources	<u>489,671</u>
Liabilities	
Accounts payable and accrued expenses	49,901
Compensated absences	23,193
Unamortized bond premium	2,764
Bonds payable due within one year	345,000
Noncurrent liabilities	
Net pension liability	159,618
Bonds payable due in more than one year	<u>-</u>
Total liabilities	<u>580,476</u>
Deferred inflows of resources	
Taxes levied for subsequent period	1,581,429
Pension related	<u>31,408</u>
Total deferred inflows of resources	<u>1,612,837</u>
Net Position	
Net investment in capital assets	4,756,847
Restricted for debt service	43,674
Restricted for capital projects	558,593
Unrestricted	<u>2,895,263</u>
Total net position	<u>\$ 8,254,377</u>

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

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SPRING LAKE DISTRICT LIBRARY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020

<u>Functions/Programs</u>	Program Revenues			Net (Expense)
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Revenue</u>	
Primary government				
Governmental activities				
Library	\$ 1,235,796	\$ 94,734	\$ 36,035	\$ (1,105,027)
Interest on long-term debt	15,370	-	-	(15,370)
Total primary government	\$ 1,251,166	\$ 94,734	\$ 36,035	(1,120,397)
General revenues				
Property taxes				
General operating				1,342,491
Debt service				345,085
County penal fines				52,272
State revenues				14,619
Interest earnings				29,717
Total general revenues				1,784,184
Change in net position				663,787
Net position, beginning of year				7,590,590
Net position, end of year				\$ 8,254,377

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

SPRING LAKE DISTRICT LIBRARY

GOVERNMENTAL FUNDS BALANCE SHEET

DECEMBER 31, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 1,259,843	\$ 44,424	\$ 558,593	\$ 1,862,860
Restricted cash and cash equivalents	49,251	-	-	49,251
Investments	534,370	-	-	534,370
Accounts receivable	1,243,415	305,358	-	1,548,773
Prepays	48,161	-	-	48,161
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 3,135,040	\$ 349,782	\$ 558,593	\$ 4,043,415
Liabilities, deferred inflows, and fund balance				
Liabilities				
Accounts payable and accrued liabilities	\$ 46,851	\$ 750	\$ -	\$ 47,601
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred inflows of resources				
Taxes levied for subsequent period	1,276,071	305,358	-	1,581,429
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances				
Non-spendable				
Prepaid items	48,161	-	-	48,161
Restricted				
Debt service	-	43,674	-	43,674
Committed				
Capital projects	-	-	558,593	558,593
Unassigned	1,763,957	-	-	1,763,957
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	1,812,118	43,674	558,593	2,414,385
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities, deferred inflows, and fund balance	\$ 3,135,040	\$ 349,782	\$ 558,593	\$ 4,043,415

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

SPRING LAKE DISTRICT LIBRARY

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

DECEMBER 31, 2020

Fund balances - total governmental funds	\$ 2,414,385
<p>Amounts reported for <i>governmental activities</i> in the statement of net position are different because</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>	
Add - capital assets (net)	5,108,570
<p>Certain pension and other post-employment benefits related amounts, such as the net other post-employment benefits asset, net pension liability and deferred amounts, are not due and payable in the current period and therefore are offset with deferred revenue in the funds.</p>	
Add - other post-employment benefits asset	806,034
Deduct - net pension liability	(159,618)
Add - deferred outflows related to other post-employment benefits	116,455
Deduct - deferred inflows related to pension	(31,408)
Add - deferred outflows related to pension	369,257
<p>Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.</p>	
Add - deferred charge on refunding	3,959
Deduct - compensated absences payable	(23,193)
Deduct - bonds payable	(345,000)
Deduct - premium on bonds	(2,764)
Deduct - accrued interest on bonds payable	<u>(2,300)</u>
Net position of governmental activities	<u>\$ 8,254,377</u>

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

SPRING LAKE DISTRICT LIBRARY

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

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>
Revenues				
Taxes	\$ 1,342,491	\$ 345,085	\$ -	\$ 1,687,576
Intergovernmental				
State revenues	14,619	-	-	14,619
Local revenues	85,609	-	-	85,609
County penal fees	52,272	-	-	52,272
Contributions	36,035	-	-	36,035
Fees and charges	9,116	-	-	9,116
Interest	29,310	104	303	29,717
Donations and miscellaneous	9	-	-	9
Total revenues	<u>1,569,461</u>	<u>345,189</u>	<u>303</u>	<u>1,914,953</u>
Expenditures				
Current				
Library				
Personnel	890,653	-	-	890,653
Materials	146,774	-	-	146,774
Programming	14,425	-	-	14,425
Technology	18,287	-	-	18,287
Operations	233,528	670	-	234,198
Capital outlay	30,971	-	14,177	45,148
Debt service				
Principal	-	330,000	-	330,000
Interest	-	21,900	-	21,900
Total expenditures	<u>1,334,638</u>	<u>352,570</u>	<u>14,177</u>	<u>1,701,385</u>
Revenues over (under) expenditures	<u>234,823</u>	<u>(7,381)</u>	<u>(13,874)</u>	<u>213,568</u>
Other financing sources (uses)				
Transfers in	-	-	217,600	217,600
Transfers out	(217,600)	-	-	(217,600)
Total other financing sources (uses)	<u>(217,600)</u>	<u>-</u>	<u>217,600</u>	<u>-</u>
Net changes in fund balances	17,223	(7,381)	203,726	213,568
Fund balances, beginning of year	<u>1,794,895</u>	<u>51,055</u>	<u>354,867</u>	<u>2,200,817</u>
Fund balances, end of year	<u>\$ 1,812,118</u>	<u>\$ 43,674</u>	<u>\$ 558,593</u>	<u>\$ 2,414,385</u>

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

SPRING LAKE DISTRICT LIBRARY

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

FOR THE YEAR ENDED DECEMBER 31, 2020

Net changes in fund balances - total governmental funds	\$ 213,568
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.</p>	
Add - capital outlay	136,197
Deduct - depreciation expense	(328,969)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	
Add - payment of bond principal	330,000
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.</p>	
Add - decrease in accrued interest	2,200
Add - decrease in compensated absences	41,189
Deduct - decrease in net pension asset	(64,261)
Deduct - increase in net pension liability	(159,618)
Add - increase in other post-employment benefits asset	114,560
Add - increase in deferred outflows related to pensions	312,896
Add - decrease in deferred inflows related to pensions	49,013
Add - increase in deferred outflows related to other post-employment benefits	12,682
Deduct - amortization of deferred charge on bond refunding	(3,959)
Add - amortization of bond premium	<u>8,289</u>
Change in net position of governmental activities	<u>\$ 663,787</u>

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

SPRING LAKE DISTRICT LIBRARY
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2020

	Retiree Healthcare Trust Fund
Assets	
Investments	\$ 1,077,534
Liabilities	
Accounts payable	<u> -</u>
Net position	
Net position held in trust for OPEB	<u>\$ 1,077,534</u>

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

SPRING LAKE DISTRICT LIBRARY
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Retiree Healthcare Trust Fund</u>
Additions	
Investment earnings	
Interest	\$ 127,318
Deductions	
Participant benefits	23,198
Other expenses	5,207
Administrative expenses	<u>1,739</u>
Total deductions	<u>30,144</u>
Changes in net position	97,174
Net position, beginning of year	<u>980,360</u>
Net position, end of year	<u><u>\$ 1,077,534</u></u>

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

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SPRING LAKE DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Library which is considered to be a special purpose government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues are reported in total. The Library has no business-type activities.

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

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

Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period except grant revenues which are recognized when grant requirements are met, County penal fines and other revenues are recognized when received, and interest revenue which is recorded when earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Property taxes,

SPRING LAKE DISTRICT LIBRARY

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FOR THE YEAR ENDED DECEMBER 31, 2020

state revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

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

The Library reports the following major governmental funds:

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

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

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

Additionally, the Library reports the following fund type:

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

Budgets and Budgetary Accounting

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

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

SPRING LAKE DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
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Deposits and Investments

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

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.
- h. The Library OPEB plan is also allowed to invest in corporate debt and equity securities.

Restricted Cash and Cash Equivalents

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

Prepaid Items

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

Capital Assets

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

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

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

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FOR THE YEAR ENDED DECEMBER 31, 2020

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

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

Long-Term Obligations

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

Compensated Absences

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

Deferred outflows/inflows of resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds and governmental activities report unearned revenues from property taxes levied for the following year. In addition, the Library reports deferred inflows related to its pension in the governmental activities.

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Property Taxes

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

Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

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

Net Position and Fund Balance Reporting

Governmental funds report fund balance in the following five categories:

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

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

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

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Net Position and Fund Balance Flow Assumptions

Sometimes the Library will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library's policy to use restricted resources first, then unrestricted resources as they are needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Pensions and Post-employment Benefits Other than Pensions (OPEB)

For purposes of measuring the net pension liability and net OPEB asset, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

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

In the body of the financial statements, the Library's actual and budgeted expenditures for the general fund have been shown at the object level, the level at which the budgets of the Library were adopted. During the year ended December 31, 2020, the Library incurred the following expenditures in excess of the appropriated amount:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance (Unfavorable)</u>
Library			
Personnel	\$827,609	\$ 890,653	\$(63,044)
Programming	14,268	14,425	(157)

3. CASH AND INVESTMENTS

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

Cash and cash equivalents	\$1,862,860
Restricted cash and cash equivalents	49,251
Investments	<u>1,611,904</u>
	<u>\$3,524,015</u>

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

Petty cash	\$ 215
Deposits	1,437,565
Certificates of deposit	1,008,701
MERS total market portfolio fund	<u>1,077,534</u>
Total	<u>\$3,524,015</u>

SPRING LAKE DISTRICT LIBRARY

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FOR THE YEAR ENDED DECEMBER 31, 2020

The deposits are in financial institutions located in Michigan in varying amounts. All accounts are in the name of the Library and a specific fund or common account. They are recorded in Library records at fair value. Interest is recorded when earned.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned. State law does not require, and the Library does not have, a policy for deposit custodial credit risk. As of year-end, \$1,092,646 of the Library's bank balance of \$2,449,583 was exposed to custodial credit risk due to being uninsured or uncollateralized.

Investments

The Library categorizes its fair value measurements of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of December 31, 2020, the Library's investments in the MERS Total Market Portfolio fund is classified as level 2.

At December 31, 2020 the balance of the MERS Total Market Portfolio fund consisted of the following:

<u>Investment</u>	<u>Percentage of pool total</u>	<u>Maturity in years</u>
Global equity	57%	Not applicable
Global fixed income	21%	Not applicable
Private markets	22%	Not applicable

Investment and deposit risk

Interest Rate Risk. State law and Library policy limit the allowable investments and the maturities of some of the allowable investments as identified in Note 1, the summary of significant accounting policies. The Library's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. There is no stated maturity date for the Library's investments identified above.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1, the summary of significant accounting policies. The investment policy does not have specific limits in excess of state law on investment credit risk. There is no risk rating for the MERS fund noted above.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Library does not have a policy for investment custodial credit risk. For the above MERS fund, the Library's custodial credit risk exposure cannot be determined because the Library's participation in the fund does not consist of specifically identifiable securities.

SPRING LAKE DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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

4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance January 1, 2020	Additions	Deletions	Balance December 31, 2020
Governmental activities				
Capital assets, not being depreciated				
Land	\$599,210	\$ -	\$ -	\$599,210
Capital assets, being depreciated				
Building	5,881,756	-	-	5,881,756
Collections	774,689	122,019	101,300	795,408
Furniture and equipment	1,207,719	14,178	7,240	1,214,657
Total capital assets, being depreciated	<u>7,864,164</u>	<u>136,197</u>	<u>108,540</u>	<u>7,891,821</u>
Less accumulated depreciation for				
Building	1,808,724	144,262	-	1,952,986
Collections	374,741	112,152	101,300	385,593
Furniture and equipment	978,567	72,555	7,240	1,043,882
Total accumulated depreciation	<u>3,162,032</u>	<u>328,969</u>	<u>108,540</u>	<u>3,382,461</u>
Net capital assets, being depreciated	<u>4,702,132</u>	<u>(192,772)</u>	<u>-</u>	<u>4,509,360</u>
Governmental activities capital assets, net	<u>\$5,301,342</u>	<u>\$(192,772)</u>	<u>\$ -</u>	<u>\$5,108,570</u>

Depreciation expense of \$328,969 was charged to functions/programs of the Library.

5. LONG-TERM DEBT

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

	Balance January 1, 2020	Additions	Deletions	Balance December 31, 2020	Due Within One Year
Governmental Activities					
2010 refunding bonds due in annual installments of \$10,000 to \$345,000; interest at 2.0-4.0%, due semi-annually through 2021	\$675,000	\$ -	\$330,000	\$345,000	\$345,000
Unamortized bond premium	11,053	-	8,289	2,764	2,764
Accrued compensated absences	64,382	-	41,189	23,193	11,596
	<u>\$750,435</u>	<u>\$ -</u>	<u>\$379,478</u>	<u>\$370,957</u>	<u>\$359,360</u>

SPRING LAKE DISTRICT LIBRARY
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FOR THE YEAR ENDED DECEMBER 31, 2020

The remaining annual debt service requirements as of December 31, 2020 are as follows:

<u>Year Ended</u> <u>December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$345,000	\$6,900
Total	\$345,000	\$6,900

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

6. PENSION PLANS

Defined Benefit Plan

Plan Description

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

Benefits Provided

Pension benefits approved by the Library Board are provided to all full-time employees. Benefits provided include a multiplier of 2.5 times final average compensation. The vesting period for benefits is 10 years. Normal retirement age is 60 with early retirement at age 50 with 25 years of service or age 55 with 15. Final average compensation is calculated based on a 3 year average.

Membership of the defined benefit plan consisted of the following at the date of the latest actuarial valuation (December 31, 2020):

Active plan members	8
Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled but not yet receiving benefits	3
Total	14

Contributions

The Library is required to contribute at an actuarially determined rate, which for the current year was \$2,099 per month. Contributions are determined based on position and classification of participating employees. Participating employees are required to contribute from 3% to 5% of gross wages to the Plan based on position and classification. The contribution requirements of the Library are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

SPRING LAKE DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Net Pension Liability

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

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

Inflation: 2.5%

Salary Increases: base wage inflation of 3.00% in the long-term (plus merit and longevity from 0 to 11% based on age)

Investment rate of return: 7.35%, net of investment expense, including inflation

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Expected Money Weighted Rate of Return*</u>
Global Equity	60.0%	7.75%	3.15%
Global Fixed Income	20.0%	3.75%	0.25%
Private investments	20.0%	9.75%	1.45%
Inflation			2.50%
Administrative fee			0.25%
Investment rate of return			<u>7.60%</u>

Discount rate. The discount rate used to measure the total pension liability is 7.60%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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FOR THE YEAR ENDED DECEMBER 31, 2020

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total	Plan	Net Pension
	Pension	Fiduciary	
	Liability	Net Position	Liability
	(a)	(b)	(a)-(b)
Balance at December 31, 2019	\$2,171,913	\$2,236,174	\$(64,261)
Changes for the Year:			
Service cost	49,214	-	49,214
Interest	161,195	-	161,195
Change in benefits	-	-	-
Differences between expected and actual experience	248,102	-	248,102
Change in assumptions	70,261	-	70,261
Contributions: employer	-	25,396	(25,396)
Contributions: employee	-	16,766	(16,766)
Net investment income	-	275,618	(275,618)
Benefit payments, including refunds	(151,046)	(151,046)	-
Administrative expense	-	(4,438)	4,438
Other changes	8,449	-	8,449
Net changes	386,175	162,296	223,879
Balance at December 31, 2020	\$2,558,088	\$2,398,470	\$159,618

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

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

	Current		
	1% Decrease	Discount rate	1% Increase
Total Pension Liability	\$2,808,384	\$2,558,088	\$2,342,611
Fiduciary Net Position	2,398,470	2,398,470	2,398,470
Net Pension Liability	\$ 409,914	\$ 159,618	\$ (55,859)

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended December 31, 2020 the Library recognized pension expense of \$116,368. The Library reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$186,076	\$ 31,408
Differences in assumptions	82,985	-
Excess (deficit) investment returns	100,196	-
Total	\$369,257	\$31,408

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

2021	\$121,745
2022	119,303
2023	74,806
2024	21,995
2025	-
Thereafter	-
Total	<u>\$337,849</u>

7. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

Benefits provided

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

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (December 31, 2020):

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

Contributions

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

Net OPEB Liability

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

- Inflation: 2.0%
- Salary Increases: 3.0%
- Investment rate of return: 3.0%
- Healthcare cost trend rate: 8.25% per year adjusted downward .25% per year to 4.5%
- 20-year Aa Municipal bond yield: 2.66%
- Mortality rates used IRS 2017 annuitant/non-annuitant mortality

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
MERS Total Market Portfolio	100%	7.0%

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

Discount rate. The discount rate used to measure the total OPEB liability is 7.0%. For projected benefits that are expected to be covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the total OPEB liability.

Changes in the Net OPEB Liability

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability (Asset)</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balance at December 31, 2019	\$288,886	\$980,360	\$(691,474)
Changes for the Year:			
Service cost	-	-	-
Interest	19,410	-	19,410
Change in benefits	-	-	-
Differences between expected and actual experience	(13,598)	-	(13,598)
Change in assumptions	-	-	-
Contributions: employer	-	-	-
Contributions: employee	-	-	-
Net investment Income	-	122,111	(122,111)
Benefit payments, including refunds	(23,198)	(23,198)	-
Administrative expense	-	(1,739)	1,739
Other changes	-	-	-
Net changes	(17,386)	97,174	(114,560)
Balance at December 31, 2020	\$271,500	\$1,077,534	(\$806,034)

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

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

	<u>1% Decrease</u>	<u>Current Discount rate</u>	<u>1% Increase</u>
Net OPEB liability (asset)	(\$803,261)	(\$806,034)	(\$808,807)

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

The following presents the net OPEB liability of the employer, calculated using the healthcare cost trend rate of 8.25%, as well as what the employer's net OPEB liability would be using a healthcare cost trend rate that is 1 percentage point lower or higher than the current rate.

	<u>1% Decrease</u>	<u>Current healthcare cost trend rate</u>	<u>1% Increase</u>
Net OPEB liability (asset)	(\$821,398)	(\$806,034)	(\$788,970)

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

For the year ended December 31, 2020 the employer recognized OPEB expense of (\$18,524). The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in experience	\$ -	\$ -
Changes in assumptions	-	-
Excess(deficit) investment returns	116,455	-
Total	<u>\$116,455</u>	<u>\$ -</u>

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

2021	\$ 41,677
2022	41,678
2023	22,229
2024	<u>10,871</u>
Total	<u>\$116,455</u>

SPRING LAKE DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

8. ENDOWMENT FUND AGREEMENT

The Library entered into an agreement with the Grand Haven Area Community Foundation on September 25, 2001, the purpose of which was to establish an endowment fund and a restricted fund to provide funding for the support of the Spring Lake District Library. Distributions may be made only from net appreciation of the endowment at the request of the Library Board, subject to Foundation approval and certain conditions. The Board may also request that a portion or all of the investment return be re-invested in the endowment fund. At December 31, 2020, balances of the endowment and restricted funds held by the Grand Haven Area Community Foundation were \$3,373,931 and \$217,459 respectively.

9. TAX ABATEMENTS

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

Industrial property tax abatements are granted in the State of Michigan under Public Act 198. By State law, the exemption must be applied for no later than six months after commencement of the project, and must be accompanied by a written agreement between the tax payer and the local unit. An exemption allows for taxation on IFT property at 50% of the local property tax millage for a period of 1 to 12 years. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. For the year ended December 31, 2020, the District's property tax revenues were reduced by approximately \$8,000 under this program.

10. RISK MANAGEMENT

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

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REQUIRED SUPPLEMENTARY INFORMATION

SPRING LAKE DISTRICT LIBRARY

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

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,309,000	\$ 1,342,419	\$ 1,342,491	\$ 72
Intergovernmental				
State revenues	16,000	14,619	14,619	-
Local revenues	75,000	64,237	85,609	21,372
County penal fees	56,000	52,272	52,272	-
Contributions	110,000	35,300	36,035	735
Fees and charges	15,100	8,938	9,116	178
Interest	15,000	37,097	29,310	(7,787)
Donations and miscellaneous	11,000	21,501	9	(21,492)
Total revenues	<u>1,607,100</u>	<u>1,576,383</u>	<u>1,569,461</u>	<u>(6,922)</u>
Expenditures				
Current				
Library				
Personnel	1,021,800	827,609	890,653	(63,044)
Materials	159,500	153,237	146,774	6,463
Programming	18,000	14,268	14,425	(157)
Technology	50,000	20,320	18,287	2,033
Operations	315,200	263,378	233,528	29,850
Capital outlay	25,000	31,971	30,971	1,000
Total expenditures	<u>1,589,500</u>	<u>1,310,783</u>	<u>1,334,638</u>	<u>(23,855)</u>
Revenues over (under) expenditures	17,600	265,600	234,823	(30,777)
Other financing sources (uses)				
Transfers out	(17,600)	(217,600)	(217,600)	-
Net changes in fund balance	-	48,000	17,223	(30,777)
Fund balance, beginning of year	<u>1,794,895</u>	<u>1,794,895</u>	<u>1,794,895</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,794,895</u>	<u>\$ 1,842,895</u>	<u>\$ 1,812,118</u>	<u>\$ (30,777)</u>

SPRING LAKE DISTRICT LIBRARY

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

FOR THE YEAR ENDED DECEMBER 31, 2020

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

Notes to schedule:

SPRING LAKE DISTRICT LIBRARY
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Notes to schedule

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

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

SPRING LAKE DISTRICT LIBRARY

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

FOR THE YEAR ENDED DECEMBER 31, 2020

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

SPRING LAKE DISTRICT LIBRARY

**OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

FOR THE YEAR ENDED DECEMBER 31, 2020

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

SCHEDULE OF INVESTMENT RATE OF RETURN

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

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Basis of Accounting

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

Pension and OPEB data

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

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

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