

**LOUTIT DISTRICT LIBRARY
GRAND HAVEN, MICHIGAN**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024



Vredeveld Haefner LLC
CPAs and Consultants

LOUTIT DISTRICT LIBRARY

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INDEPENDENT AUDITORS' REPORT

September 5, 2024

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Loutit District Library (the Library) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Library, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and the budgetary and pension information on pages 31 through 33 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Urodeheld Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

About the Library

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

Financial Highlights

Property Tax Values – Tax revenue received totaled \$2,810,963 in FY23/24, an increase of \$156,829 from FY22/23. Continuing a trend which began in 2019, the library operating tax rate was reduced to 0.9530 mills, due to Michigan's Headlee Amendment.

Penal Fines – Income from County court assessed penal fine revenue received totaled \$92,364 in FY23/24, a decrease of \$25,893 from FY22/23.

Books & Periodicals – To meet library patron service demands, in FY23/24 there was a decrease of \$8,482 in book and periodical expenditures in comparison to FY22/23.

Salaries, Wages, and Benefits – As of June 30, 2024, the Library had 16 full time staff and 18 part time staff, with 4 substitutes. Overall, for FY23/24, there was an increase of \$250,730 in salary, wages and benefit expenses in comparison to FY22/23.

In FY22/23 there were staffing changes, most notably, in the Executive Director and Assistant Director positions during the fiscal year. The subsequent activity to those resignations was a staff vote to unionize. Union negotiations began in January/February 2023 and union agreements took effect FY23/24.

Contractual Services - Effective November 2022, Loutit District Library contracted the City of Grand Haven for Finance and Human Resources services. The contract is for a period of three years, which can be extended based on mutual agreement.

Building Improvements – The "Brooks Media Center" renovation project was completed in FY23/24, expenditures were covered by generous donations and local grant revenue.

Services – The Library expanded operating hours in FY23/24 to seven days per week based on patron feedback, adding Sunday hours and with that the re-introductions of the Sunday Concert series.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

The *statement of activities* presents information showing how the Library's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are

reported in this statement for some items that will only result in cash flows in future fiscal periods (accrued interest on debt).

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

Fund financial statements

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

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

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

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

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

Notes to the financial statements

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

Other information

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

Government-wide Financial Analysis

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

	<u>2024</u>	<u>2023</u>
Current and other assets	\$2,449,753	\$2,554,942
Capital assets	7,577,501	7,714,807
Total assets	10,027,254	10,269,749
Deferred outflows of resources	383,364	540,179
Current and other liabilities	650,212	627,650
Long-term liabilities	2,764,239	3,341,786
Total liabilities	3,414,451	3,969,436
Deferred inflows of resources	23,540	-
Net position		
Net investment in capital assets	5,909,783	5,508,906
Restricted	207,309	148,725
Unrestricted	855,535	1,182,861
Total net position	\$6,972,627	\$6,840,492

Revenues and Expenses

The Library's net position increased \$132,135 during the year ended June 30, 2024. Current year revenues exceeded current year expenses primarily due to investment earnings. A summary of revenues and expenses for the past two fiscal years is presented below.

	<u>2024</u>	<u>2023</u>
Program revenues		
Charges for services	\$ -	\$ 6,385
Grants and contributions	109,641	35,656
General revenues		
Property taxes	2,810,963	2,654,134
County penal fines	92,364	118,257
Other general revenues	167,247	95,728
Total revenues	3,180,215	2,910,160
Functions/program expenses		
Library	3,004,063	2,874,579
Interest on long-term debt	44,017	54,095
Total expenses	3,048,080	2,928,674
Change in net position	132,135	(18,514)
Net position, beginning of year	6,840,492	6,859,006
Net position, end of year	\$6,972,627	\$6,840,492

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 \$2,342,741, a decrease of \$115,351 from the prior year.

The General Fund is the chief operating fund of the Library. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$760,661 while total fund balance was \$1,295,227. 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 28% of total General Fund expenditures. The table below shows the unassigned fund balance compared to total fund expenditures historically.

	Unassigned General Fund Balance (A)	Total General Fund Balance	General Fund Expenditures (B)	Fund Balance Policy Percentage (A/B)
FY2020-21	\$1,109,805	\$1,643,713	\$2,057,595	54%
FY2021-22	1,013,842	1,532,293	2,325,464	44%
FY2022-23	895,170	1,396,782	2,396,091	37%
FY2023-24	760,661	1,295,227	2,710,766	28%

The Library's revenues in the General Fund were \$2,819,057, an increase from the prior year of \$210,513. Property tax revenues, which make up 88.7% of General Fund revenues, increased 6.0% from the previous year. Total General Fund revenues increased by 8.0% overall compared to the previous year.

General Fund expenditures amounted to \$2,710,766, an increase of \$314,675 from the prior year or 13%. General Fund expenditures increased in the current year due to increased contracted service costs, building and ground costs, and printing and publishing expenses.

The Maintenance Fund has a total fund balance of \$840,205, a decrease of \$72,380 from the prior year which was the result of amounts transferred to the General Fund for maintenance projects. The balance in the fund is assigned for future maintenance projects.

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

General Fund Budgetary Highlights

Sale of Robbins Road Property – In March 2020, the Library Board approved that the net proceeds of the sale of the property (\$579,920) along with any interest earned on the proceeds be applied to future 2017 Library Refunding Bonds (Bond B), beginning in May 2020. The proceeds were evenly divided by eight (the remaining years of annual bond payments) so that \$72,490 is allocated to the annual Bond B debt service requirement annually through 2026. During the final year (FY26-27) the remaining fund balance in its entirety (including all earned interest) will be applied to the final payment on the Bond B debt obligation. Should the remaining balance of the proceeds in the final year exceed the debt service requirement on Bond B, the unapplied balance of the fund will be transferred to the Library's General Fund balance. As of June 30, 2024, there are three payments remaining.

Capital Assets and Long-Term Debt Activity

Capital assets The Library's investment in capital assets for its governmental activities as of June 30, 2024, amounted to \$7,577,501 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and furniture, and books.

Current year additions included furniture, books, and media.

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

Long-term debt At the end of the current fiscal year, the Library had total long-term debt outstanding of \$1,640,000.

Long-term debt activity consisted of principal payments on outstanding bonds totaling \$520,000.

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

Economic Factors and Next Year's Budget

Salaries, Wages, and Benefits – For FY24/25, an increase of 6.12% in salaries is anticipated due to full staffing, increased staff wages, required and surplus Defined Benefit contributions, and higher benefit costs.

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

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

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

Library State Aid – State Aid revenue to Loutit District Library is projected to remain the same in FY24/25 at \$39,604.

Contacting the Library Management

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

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BASIC FINANCIAL STATEMENTS

LOUTIT DISTRICT LIBRARY

STATEMENT OF NET POSITION

JUNE 30, 2024

	Primary Government Governmental Activities
Assets	
Cash and cash equivalents (note 3)	\$ 655,619
Investments (note 3)	1,656,231
Accounts receivable	106
Due from other governments	112,702
Prepaid items	25,095
Capital assets, net (note 5)	
Land	1,139,732
Buildings and equipment	<u>6,437,769</u>
Total assets	<u>10,027,254</u>
Deferred outflows of resources	
Pension related (note 7)	<u>383,364</u>
Liabilities	
Accounts payable	49,244
Accrued liabilities	65,968
Bonds due within one year (note 6)	535,000
Noncurrent liabilities	
Net pension liability (note 7)	1,457,723
Accrued compensated absences (note 6)	173,798
Unamortized bond premium (note 6)	27,718
Bonds due in more than one year (note 6)	<u>1,105,000</u>
Total liabilities	<u>3,414,451</u>
Deferred inflows of resources	
Pension related (note 7)	<u>23,540</u>
Net position (note 9)	<u>\$ 6,972,627</u>

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

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LOUIT DISTRICT LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Primary government				
Governmental activities				
Library	\$ (3,004,063)	\$ -	\$ 109,641	\$ -
Interest on long-term debt	(44,017)	-	-	(44,017)
Total primary government	\$ (3,048,080)	\$ -	\$ 109,641	\$ -
General revenues				
Property taxes				
General operating				2,500,628
Debt service				310,335
County penal fines				92,364
State revenues				42,140
Other general revenues				6,934
Investment earnings (loss)				118,173
Total general revenues				3,070,574
Change in net position				132,135
Net position, beginning of year				6,840,492
Net position, end of year				\$ 6,972,627

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

LOUTIT DISTRICT LIBRARY

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2024

	<u>General</u>	<u>Maintenance</u>	<u>Debt Service Series A</u>	<u>Debt Service Series B</u>	<u>Total</u>
Assets					
Cash and cash equivalents (note 3)	\$ 229,715	\$ 328,116	\$ 97,788	\$ -	\$ 655,619
Investments (note 3)	1,032,621	514,089	109,435	86	1,656,231
Accounts receivable	106	-	-	-	106
Due from other funds (note 4)	2,000	-	-	-	2,000
Due from other governments	112,702	-	-	-	112,702
Prepaid items	25,095	-	-	-	25,095
Total assets	<u>\$ 1,402,239</u>	<u>\$ 842,205</u>	<u>\$ 207,223</u>	<u>\$ 86</u>	<u>\$ 2,451,753</u>
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ 49,244	\$ -	\$ -	\$ -	\$ 49,244
Accrued liabilities	57,768	-	-	-	57,768
Due to other funds	-	2,000	-	-	2,000
Total liabilities	107,012	2,000	-	-	109,012
Fund balances (note 9)	<u>1,295,227</u>	<u>840,205</u>	<u>207,223</u>	<u>86</u>	<u>2,342,741</u>
Total liabilities and fund balance	<u>\$ 1,402,239</u>	<u>\$ 842,205</u>	<u>\$ 207,223</u>	<u>\$ 86</u>	<u>\$ 2,451,753</u>

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

LOUTIT DISTRICT LIBRARY

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

JUNE 30, 2024

Fund balances - total governmental funds	\$ 2,342,741
Amounts reported for <i>governmental activities</i> in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets (net)	7,577,501
Deferred pension contributions, deficit investment returns, changes in assumptions and differences in experiences relate to future years and are not reported in the funds.	
Add - deferred outflows	383,364
Deduct - deferred inflows	(23,540)
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - net pension liability	(1,457,723)
Deduct - compensated absences payable	(173,798)
Deduct - unamortized bond premium	(27,718)
Deduct - bonds payable	(1,640,000)
Deduct - accrued interest on bonds payable	<u>(8,200)</u>
Net position of governmental activities	<u>\$ 6,972,627</u>

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

LOUIT DISTRICT LIBRARY

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

FOR THE YEAR ENDED JUNE 30, 2024

	<u>General</u>	<u>Maintenance</u>	<u>Debt Service Series A</u>	<u>Debt Service Series B</u>	<u>Total</u>
Revenues					
Property taxes	\$ 2,500,628	\$ -	\$ 310,335	\$ -	\$ 2,810,963
Intergovernmental					
State revenues	42,140	-	-	-	42,140
County penal fees	92,364	-	-	-	92,364
Investment earnings (loss)	67,350	44,374	6,445	4	118,173
Donations and miscellaneous	116,575	-	-	-	116,575
Total revenues	<u>2,819,057</u>	<u>44,374</u>	<u>316,780</u>	<u>4</u>	<u>3,180,215</u>
Expenditures					
Current					
Library					
Salaries and wages	1,316,195	-	-	-	1,316,195
Benefits	439,784	-	-	-	439,784
Books and periodicals	232,960	-	-	-	232,960
Lakeland Library Cooperative	25,106	-	-	-	25,106
Professional services	132,271	-	-	-	132,271
Insurance	15,526	-	-	-	15,526
Building and grounds	92,555	-	-	-	92,555
Equipment maintenance	1,697	-	-	-	1,697
Custodial	4,696	-	-	-	4,696
Library supplies	24,410	-	-	-	24,410
Postage	7,263	-	-	-	7,263
Telephone and internet	17,556	-	-	-	17,556
Printing and publishing	29,831	-	-	-	29,831
Utilities	98,709	-	-	-	98,709
Transfers to other libraries	47,435	-	-	-	47,435
Other expenditures	129,944	-	-	-	129,944
Capital outlay	94,828	-	-	-	94,828
Debt service					
Principal	-	-	230,000	290,000	520,000
Interest	-	-	28,200	36,600	64,800
Total expenditures	<u>2,710,766</u>	<u>-</u>	<u>258,200</u>	<u>326,600</u>	<u>3,295,566</u>
Revenues over (under) expenditures	<u>108,291</u>	<u>44,374</u>	<u>58,580</u>	<u>(326,596)</u>	<u>(115,351)</u>
Other financing sources (uses)					
Transfers in (note 4)	116,754	-	-	326,600	443,354
Transfers out (note 4)	(326,600)	(116,754)	-	-	(443,354)
Total other financing sources (uses)	<u>(209,846)</u>	<u>(116,754)</u>	<u>-</u>	<u>326,600</u>	<u>-</u>
Net changes in fund balances	(101,555)	(72,380)	58,580	4	(115,351)
Fund balances, beginning of year	<u>1,396,782</u>	<u>912,585</u>	<u>148,643</u>	<u>82</u>	<u>2,458,092</u>
Fund balances, end of year	<u>\$ 1,295,227</u>	<u>\$ 840,205</u>	<u>\$ 207,223</u>	<u>\$ 86</u>	<u>\$ 2,342,741</u>

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

LOUITIT DISTRICT LIBRARY

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

FOR THE YEAR ENDED JUNE 30, 2024

Net changes in fund balances - total governmental funds	\$ (115,351)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because	
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.	
Add - capital outlay	204,105
Deduct - depreciation expense	(341,411)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Add - principal payments on bonds	520,000
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.	
Deduct - increase in compensated absences	(17,791)
Add - decrease in net pension liability	42,155
Deduct - decrease in deferred outflows related to pensions	(156,815)
Deduct - increase in deferred inflows related to pensions	(23,540)
Add - amortization of bond premium	18,183
Add - decrease in accrued interest	<u>2,600</u>
Change in net position of governmental activities	<u>\$ 132,135</u>

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

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LOUIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus and Basis of Accounting

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

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

LOUIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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

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

The Library reports the following major governmental funds:

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

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

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

Budgets and Budgetary Accounting

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

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

Deposits and Investments

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

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

LOUIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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

Capital Assets

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

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

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

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

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

Property Taxes

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

Property taxes levied on July 1 and December 1 of each year are recognized as revenue in that year. The Library's 2023 taxable value was \$2,637,553,464 on which they levied 0.9523 mills for operations and an additional 0.1150 mills for debt service.

LOUIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Grants and Other Intergovernmental Revenues

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

Interfund Transactions

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

Net Position and Fund Balance Reporting

Governmental funds report fund balance in the following five categories:

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

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

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

The Library adopted a policy to maintain a minimum unassigned fund balance in its general fund of 25% of the current year's expenditures. Unassigned fund balance in the general fund at June 30, 2024 amounted to 28% of the current year's expenditures.

Net Position and Fund Balance Flow Assumptions

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

LOUIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Long-Term Obligations

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

Deferred outflows/inflows of resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Library reports deferred inflows related to its pension plan.

Pensions

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

Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2024, the Library carried commercial insurance to cover risks of losses. The Library has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

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

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

LOUIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

During the year ended June 30, 2024, the Authority incurred the following expenses in excess of the appropriated amount:

General Fund	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Building and grounds	\$85,010	\$92,555	\$7,545
Custodial	4,000	4,696	696
Printing and publishing	27,250	29,831	2,581
Utilities	91,100	98,709	7,609

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	\$ 655,619
Investments	<u>1,656,231</u>
	<u>\$2,311,850</u>

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

Deposits	\$ 328,021
Investments	<u>1,983,829</u>
Total	<u><u>\$2,311,850</u></u>

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned. State law does not require, and the Library does not have, a policy for deposit custodial credit risk. As of year-end, \$90,938 of the Library's bank balance of \$347,480 was exposed to custodial credit risk due to being uninsured or uncollateralized.

Investments

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

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Money market funds	N/A	\$ 327,598	Not rated
Michigan Class	N/A	1,352,920	S&P AAAM
GNMA bonds US Government guaranteed	2044-2051	62,506	N/A
FNMA/FHLMC bonds implicitly guaranteed	2045-2051	<u>240,805</u>	N/A
Total		<u><u>\$1,983,829</u></u>	

LOUIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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

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

- GNMA/FHLMC and FNMA bonds are valued using quoted market prices (Level 1 inputs).
- The Michigan Class investments and money market funds are valued using a pricing model utilizing observable fair value measures of fund/pool investments and other observable inputs to determine the fair value of the securities making up the investments fund/pool (Level 2 inputs).
- The Library does not have any investments that report fair value based on significant unobservable inputs (Level 3 inputs).

Investment and deposit risk

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

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

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Library does not have a policy for investment custodial credit risk. Michigan CLASS has received rulings from the FDIC that deposits made by Michigan CLASS are actually the deposits of the participants and thus each participant in the pool is insured for its proportionate share of any deposit up to the \$250,000 limit for the participants accounts in the custodian bank and its pro rata share of Michigan CLASS's deposits. Of the above investments in money market funds and pools of \$1,983,829, the Library's remaining custodial credit risk exposure cannot be determined because the money markets and the investment pools do not consist of specifically identifiable securities.

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

LOUIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

4. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2024 are as follows:

<u>Transfers in</u>	<u>Transfers out</u>		
	<u>General fund</u>	<u>Maintenance fund</u>	<u>Total</u>
General fund	\$ -	\$116,754	\$116,754
Debt service series B fund	326,600	-	326,600
	<u>\$326,600</u>	<u>\$116,754</u>	<u>\$443,354</u>

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

5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2024</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$1,139,732	\$ -	\$ -	\$1,139,732
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>1,139,732</u>	<u>-</u>	<u>-</u>	<u>1,139,732</u>
Capital assets, being depreciated				
Land improvements	151,734	-	-	151,734
Building	8,505,753	30,281	-	8,536,034
Collections	1,431,559	89,871	136,783	1,384,647
Equipment	244,482	-	7,643	236,839
Furniture and fixtures	402,073	83,953	-	486,026
Total capital assets, being depreciated	<u>10,735,601</u>	<u>204,105</u>	<u>144,426</u>	<u>10,795,280</u>
Less accumulated depreciation for				
Land improvements	142,464	9,270	-	151,734
Building	2,519,849	194,928	-	2,714,777
Collections	908,029	113,524	136,783	884,770
Equipment	195,543	11,115	7,643	199,015
Furniture and fixtures	394,641	12,574	-	407,215
Total accumulated depreciation	<u>4,160,526</u>	<u>341,411</u>	<u>144,426</u>	<u>4,357,511</u>
Net capital assets, being depreciated	<u>6,575,075</u>	<u>(137,306)</u>	<u>-</u>	<u>6,437,769</u>
Governmental activities capital assets, net	<u>\$7,714,807</u>	<u>\$(137,306)</u>	<u>\$ -</u>	<u>7,577,501</u>

Depreciation expense of \$341,411 was charged to functions/programs of the Library.

LOUIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

6. LONG-TERM DEBT

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

The following is a summary of the debt transactions of the Library for the year ended June 30, 2024.

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Due Within One Year
Governmental Activities					
Library Refunding Bonds 2017A general obligation – unlimited tax; Payments due in annual installments of \$200,000 to \$240,000 through May 1, 2027; interest at 2.0 to 3.0%.	\$ 940,000	\$ -	\$ 230,000	\$ 710,000	\$235,000
Library Refunding Bonds 2017B general obligation – limited tax; Payments due in annual installments of \$255,000 to \$320,000 through May 1, 2027; interest at 2.0 to 3.0%.	1,220,000	-	290,000	930,000	300,000
Total long-term debt	2,160,000	-	520,000	1,640,000	535,000
Unamortized bond premium	45,901		18,183	27,718	
Accrued compensated absences	156,007	17,791	-	173,798	-
	<u>\$2,361,908</u>	<u>\$17,791</u>	<u>\$538,183</u>	<u>\$1,841,516</u>	<u>\$535,000</u>

The annual requirements to amortize all debt outstanding, excluding accrued compensated absences and the unamortized bond premium, as of June 30, 2024 are as follows:

Year Ended June 30	Governmental Activities	
	Principal	Interest
2025	\$ 535,000	\$49,200
2026	545,000	33,150
2027	560,000	16,800
Total	\$1,640,000	\$99,150

7. PENSION PLANS

Defined Contribution Plan

The Library maintains the Loutit Library Pension Plan which is a defined contribution plan which is administered by MERS. The Library contributes from 7.5% to 10.5% of gross salary to the plan dependent on the employee level of contribution. The Library plan benefits and contribution requirements were established and may be amended under the authority of the Library Board. Currently, the Library director is the only employee eligible to participate in the plan. During the year, employee contributions amounted to \$3,752 and the Library contributed \$13,131 to the plan.

LOUIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Defined Benefit Plan

Plan Description

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

Benefits Provided

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

Membership of the defined benefit plan consisted of the following at the date of the latest actuarial valuation (December 31, 2023):

Active plan members	15
Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled but not yet receiving benefits	11
	<hr/>
Total	39
	<hr/>

Contributions

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

Net Pension Liability

The Library's net pension liability was measured as of December 31, 2023, 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, 2023 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: 7.18%, net of investment expense, including inflation
- Mortality rates used for non-disabled plan member were based on PubG-2010 tables with future mortality improvements using RP-2019 scale applied fully generationally from the Pub-2010 base year of 2010. Mortality rates used for disabled plan member were based on PubNS-2010 Disabled Retiree Tables.

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

LOUIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Expected Money Weighted Rate of Return*</u>
Global Equity	60.0%	4.50%	2.70%
Global Fixed Income	20.0%	2.00%	0.40%
Private investments	20.0%	7.00%	1.40%
MERS gains adjustment			(0.07)%
Inflation			2.50%
Administrative fee			0.25%
			7.18%
Discount rate			7.18%

Discount rate. The discount rate used to measure the total pension liability is 7.18%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balance at December 31, 2022	\$4,118,406	\$2,618,528	\$1,499,878
Changes for the Year:			
Service cost	111,793	-	111,793
Interest	294,701	-	294,701
Change in benefits	(1,911)	-	(1,911)
Differences between expected and actual experience	(31,386)	-	(31,386)
Change in assumptions	34,875	-	34,875
Contributions: employer	-	129,373	(129,373)
Contributions: employee	-	38,142	(38,142)
Net investment income	-	288,834	(288,834)
Benefit payments, including refunds	(218,885)	(218,885)	-
Administrative expense	-	(6,122)	6,122
Other changes	-	-	-
Net changes	189,187	231,342	(42,155)
Balance at December 31, 2023	\$4,307,593	\$2,849,870	\$1,457,723

LOUIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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 7.18%, as well as what the employer's net pension liability would be using a discount rate that is 1 percentage point lower (6.18%) or higher (8.18%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Total Pension Liability	\$4,860,007	\$4,307,593	\$3,846,615
Fiduciary Net Position	2,849,870	2,849,870	2,849,870
Net Pension Liability	\$2,010,137	\$1,457,723	\$ 996,745

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2024 the Library recognized pension expense of \$304,813. 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	\$ 35,765	\$(23,540)
Differences in assumptions	116,700	-
(Excess) deficit investment returns	132,661	-
Contributions subsequent to the measurement date*	98,238	-
Total	\$383,364	\$(23,540)

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

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

2025	\$149,109
2026	48,269
2027	84,786
2028	(20,578)
Thereafter	-
Total	\$261,586

8. DISTRICT LIBRARY AGREEMENT

The Library entered into an agreement with local participating municipalities on February 24, 1999. Among other things, the agreement provides for the Library to pay the City of Grand Haven an amount equal to the transfer value of the assets (as defined in the agreement) if the Library relocates its main library outside the City limits within the subsequent 150 years without City consent. This obligation would be funded only on the date on which the Library transfers its operations out of the City. The amount of the transfer value was determined to be \$8,952,840 as of June 30, 2024.

LOUIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

9. EQUITY

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

	<u>Net Position</u>	<u>Fund Balances</u>
Net investment in capital assets	\$5,909,783	\$ -
Non-spendable prepaid items	-	25,095
Restricted for Debt Service		-
Series A bonds	207,223	207,223
Series B Bonds	86	86
Committed for debt service	-	253,402
Assigned for future capital projects – maintenance fund	-	840,205
Assigned for future genealogy project – general fund	-	5,590
Assigned for summer concert series	-	1,100
Assigned for materials	-	5,030
Assigned for subsequent year expenditures	-	244,349
Unrestricted net position	855,535	-
Unassigned fund balance	-	760,661
	<hr/>	<hr/>
Total Net position/fund balance	<u>\$6,972,627</u>	<u>\$2,342,741</u>

10. ENDOWMENT FUND AGREEMENT

The Library entered into an agreement with the Grand Haven Area Community Foundation on September 25, 2001, the purpose of which was to establish an endowment fund to provide funding for the support of the Loutit District Library. Distributions may be made only from net appreciation of the endowment at the request of the Library Board, subject to Foundation approval and certain conditions. The Board may also request that a portion or all of the investment return be re-invested in the endowment fund. The Library did not receive any distributions from the Endowment Fund during the past fiscal year. The value of this designated fund was \$27,661 as of June 30, 2024.

The Library also entered into an agreement with the Foundation on February 1, 2022, the purpose of which was to establish a non-endowed fund to accept donations in support of the Library. Distributions are subject to Foundation approval and certain conditions. The Library did not receive any distributions from the Non-Endowed Fund during the past fiscal year. The value of this designated fund was \$29,917 as of June 30, 2024.

11. CONTINGENCY

In the normal course of its activities, the District has become a party in various legal actions. Management of the District is of the opinion that the outcome of such actions will not have a material effect on the financial position of the District and, therefore, has not reflected loss reserves in the financial statements.

12. 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.

LOUIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

For the year ended June 30, 2024, the District's property tax revenues were reduced by approximately \$2,900 under this program.

Public Act 381 of 1996, the Brownfield Redevelopment Financing Act, was adopted in the State of Michigan as a means to authorize municipalities to create a brownfield redevelopment authority to facilitate the implementation of brownfield plans; to create brownfield redevelopment zones; to promote the revitalization, redevelopment, and reuse of certain property, including, but not limited to, tax reverted, blighted, or functionally obsolete property; to prescribe the powers and duties of brownfield redevelopment authorities; to permit the issuance of bonds and other evidences of indebtedness by an authority; to authorize the acquisition and disposal of certain property; to authorize certain funds; to prescribe certain powers and duties of certain state officers and agencies; and to authorize and permit the use of certain tax increment financing.

For the year the District's abated property tax revenues amounted to approximately \$28,150.

REQUIRED SUPPLEMENTARY INFORMATION

LOUIT DISTRICT LIBRARY

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

FOR THE YEAR ENDED JUNE 30, 2024

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 2,512,600	\$ 2,500,496	\$ 2,500,628	\$ 132
Intergovernmental				
State revenues	39,604	41,604	42,140	536
County penal fees	120,000	89,500	92,364	2,864
Fees and charges	6,000	-	-	-
Interest	5,000	69,318	67,350	(1,968)
Donations and miscellaneous	170,915	112,844	116,575	3,731
Total revenues	<u>2,854,119</u>	<u>2,813,762</u>	<u>2,819,057</u>	<u>5,295</u>
Expenditures				
Current				
Library				
Salaries and wages	1,386,000	1,320,000	1,316,195	3,805
Benefits	456,500	441,265	439,784	1,481
Books and periodicals	226,045	242,167	232,960	9,207
Lakeland Library Cooperative	30,000	25,200	25,106	94
Professional services	140,450	138,225	132,271	5,954
Insurance	13,500	15,526	15,526	-
Building and grounds	67,510	85,010	92,555	(7,545)
Equipment maintenance	10,000	2,000	1,697	303
Custodial	4,000	4,000	4,696	(696)
Library supplies	24,475	25,675	24,410	1,265
Postage	8,500	8,150	7,263	887
Telephone and internet	12,500	18,016	17,556	460
Printing and publishing	9,725	27,250	29,831	(2,581)
Utilities	101,500	91,100	98,709	(7,609)
Transfers to other libraries	56,500	58,600	47,435	11,165
Other expenditures	43,265	139,262	129,944	9,318
Capital outlay	174,935	131,935	94,828	37,107
Total expenditures	<u>2,765,405</u>	<u>2,773,381</u>	<u>2,710,766</u>	<u>62,615</u>
Revenues over (under) expenditures	<u>88,714</u>	<u>40,381</u>	<u>108,291</u>	<u>67,910</u>
Other financing sources (uses)				
Transfers in	80,000	116,000	116,754	754
Transfers out	(326,600)	(326,600)	(326,600)	-
Total other financing sources (uses)	<u>(246,600)</u>	<u>(210,600)</u>	<u>(209,846)</u>	<u>754</u>
Net changes in fund balance	(157,886)	(170,219)	(101,555)	68,664
Fund balance, beginning of year, as restated	<u>1,396,782</u>	<u>1,396,782</u>	<u>1,396,782</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,238,896</u>	<u>\$ 1,226,563</u>	<u>\$ 1,295,227</u>	<u>\$ 68,664</u>

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

FOR THE YEAR ENDED JUNE 30, 2024

	December 31									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total pension liability										
Service cost	\$ 74,010	\$ 75,869	\$ 78,594	\$ 73,300	\$ 80,309	\$ 80,775	\$ 86,778	\$ 94,159	\$ 88,702	\$ 111,793
Interest	144,332	157,561	182,969	194,086	205,106	218,425	229,861	254,887	282,343	294,701
Changes in benefit terms	-	-	(3,936)	-	-	-	-	-	-	(1,911)
Difference between expected and actual experience	-	(670)	(42,068)	(46,023)	(17,131)	59,003	105,092	58,369	464	(31,386)
Changes in assumptions	-	136,608	-	-	-	79,313	249,924	162,237	-	34,875
Benefit payments including employee refunds	(59,415)	(57,456)	(58,639)	(89,284)	(84,923)	(119,158)	(173,522)	(194,766)	(206,283)	(218,885)
Other	4,511	4,924	-	(1)	-	-	-	12,305	-	-
Net change in total pension liability	163,438	316,836	156,920	132,078	183,361	318,358	498,133	387,191	165,226	189,187
Total pension liability, beginning of year	1,796,865	1,960,303	2,277,139	2,434,059	2,566,137	2,749,498	3,067,856	3,565,989	3,953,180	4,118,406
Total pension liability, end of year	\$ 1,960,303	\$ 2,277,139	\$ 2,434,059	\$ 2,566,137	\$ 2,749,498	\$ 3,067,856	\$ 3,565,989	\$ 3,953,180	\$ 4,118,406	\$ 4,307,593
Plan Fiduciary Net Position										
Contributions-employer	\$ 62,628	\$ 64,994	\$ 65,257	\$ 62,384	\$ 69,364	\$ 81,915	\$ 87,676	\$ 97,036	\$ 122,736	\$ 129,373
Contributions-employee	23,721	24,317	27,997	29,608	30,556	34,301	33,564	37,341	35,132	38,142
Net investment income (loss)	101,744	(26,666)	199,754	261,293	(88,812)	292,873	309,065	373,928	(308,311)	288,834
Benefit payments including employee refunds	(59,415)	(57,456)	(58,639)	(89,284)	(84,923)	(119,158)	(173,522)	(194,766)	(206,283)	(218,885)
Administrative expense	(3,757)	(3,833)	(3,939)	(4,130)	(4,337)	(5,052)	(4,866)	(4,289)	(5,486)	(6,122)
Net change in plan fiduciary net position	124,921	1,356	230,430	259,871	(78,152)	284,879	251,917	309,250	(362,212)	231,342
Plan fiduciary net position, beginning of year	1,596,268	1,721,189	1,722,545	1,952,975	2,212,846	2,134,694	2,419,573	2,671,490	2,980,740	2,618,528
Plan fiduciary net position, end of year	\$ 1,721,189	\$ 1,722,545	\$ 1,952,975	\$ 2,212,846	\$ 2,134,694	\$ 2,419,573	\$ 2,671,490	\$ 2,980,740	\$ 2,618,528	\$ 2,849,870
Employer net pension liability	\$ 239,114	\$ 554,594	\$ 481,084	\$ 353,291	\$ 614,804	\$ 648,283	\$ 894,499	\$ 972,440	\$ 1,499,878	\$ 1,457,723
Plan fiduciary net position as a percentage of the total pension liability	88%	76%	80%	86%	78%	79%	75%	75%	64%	66%
Covered employee payroll	\$ 593,031	\$ 607,923	\$ 615,938	\$ 572,655	\$ 621,106	\$ 609,622	\$ 659,410	\$ 676,428	\$ 612,581	\$ 799,084
Employer's net pension liability as a percentage of covered employee payroll	40%	91%	78%	62%	99%	106%	136%	144%	245%	182%

Note to schedule:

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

LOUTIT DISTRICT LIBRARY
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2024

Fiscal Year end	Actuarially determined contributions	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
6/30/2015	\$ 62,628	\$ 62,628	\$ -	\$ 593,031	10.56%
6/30/2016	64,994	64,994	-	607,923	10.69%
6/30/2017	62,257	62,257	-	615,938	10.11%
6/30/2018	62,384	62,384	-	572,655	10.89%
6/30/2019	76,139	76,139	-	621,106	12.26%
6/30/2020	81,370	81,370	-	609,622	13.35%
6/30/2021	82,006	82,006	-	659,410	12.44%
6/30/2022	122,918	122,918	-	676,428	18.17%
6/30/2023	124,131	124,131	-	612,581	20.26%
6/30/2024	166,613	166,613	-	799,084	20.85%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	15 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary increases	3.00% (3.75% for 2015 through 2019)
Investment rate of return	6.93% (7.0% 2022 to 2023; 7.35% 2020 to 2021; 7.75% 2015 to 2019)
Retirement age	60
Mortality	Mortality rates used for non-disabled plan member were based on 106% of PubG-2010 tables with future mortality improvements using MP-2019 scale applied fully generationally from the Pub-2010 base year of 2010. Mortality rates used for disabled plan members were based on PubNS-2010 Disabled Retiree Tables.