

Audited Financial Statements

Plymouth District Library

*Year Ended December 31, 2022
with Report of Independent Auditors*

Plymouth District Library
Audited Financial Statements
Year Ended December 31, 2022

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Report of Independent Auditors

Board of Trustees
Plymouth District Library
Plymouth, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities and the major funds of the Plymouth District Library (Library), as of and for the year ended December 31, 2022, 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 the major funds of the Plymouth District Library as of December 31, 2022, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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, the budgetary comparison schedule for the general fund, and the schedules for the pension and other post-employment benefit plans, as listed in the table of contents, 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.

Correction of Error

As described in Note 15 to the financial statements, the financial statements for the year ended December 31, 2021, were restated as a result of accounting errors identified by the Library related to the following balances: cash, compensated absences, capital assets, deferred outflows related to pension, and deferred inflows related to pension. Our opinion is not modified with respect to that matter.

Andrews Hooper Pavlik PLC

Bloomfield Hills, Michigan
June 19, 2023

Plymouth District Library

Management's Discussion and Analysis

December 31, 2022

As management of Plymouth District Library, we offer readers of Plymouth District Library's financial statements this narrative overview and analysis of the financial activities of Plymouth District Library for the fiscal year ended December 31, 2022.

Financial Highlights

- The assets of the Plymouth District Library exceeded its liabilities at the close of the most recent fiscal year by \$14,100,759 (net position). Of this amount, \$3,149,260 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, Plymouth District Library's governmental fund reported an ending fund balance of \$3,854,500, an increase of \$298,443 in comparison with the restated prior year. 7% of the total amount, \$257,101 is available for spending at the government's discretion (unassigned fund balance).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Plymouth District Library's basic financial statements. Plymouth District Library's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The statement of activities presents information showing how the government'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 (e.g., uncollected taxes and earned but unused vacation leave).

Plymouth District Library

Management's Discussion and Analysis

December 31, 2022

Both of the government-wide financial statements distinguish functions of Plymouth District 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 governmental activities of Plymouth District Library are limited to operating the Library. The District Library has no business-type activities.

The government-wide financial statements can be found on pages 10 and 11 of this report.

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. Plymouth District Library, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Plymouth District Library can be divided into two categories: governmental funds and fiduciary funds.

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 government'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 information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Plymouth District Library maintains one individual governmental fund, which is the General Fund. The Library adopts an annual appropriated budget for its general fund, and a budgetary comparison statement has been provided to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Plymouth District Library's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 12 and 13 of this report.

Plymouth District Library

Management's Discussion and Analysis

December 31, 2022

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. The notes to the financial statements can be found on pages 14-38 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Plymouth District Library, assets and deferred outflows exceeded liabilities and deferred inflows by \$14,100,759 at the close of the most recent fiscal year.

	December 31	
	2022	2021 (as restated)
Current and other assets	\$ 9,038,917	\$ 5,611,029
Capital assets	10,951,499	11,255,463
Total assets	<u>19,990,416</u>	<u>16,866,492</u>
Deferred outflows	<u>1,491,829</u>	<u>636,824</u>
Other liabilities	122,820	-
Long-term liabilities	2,661,454	1,657,153
Total liabilities	<u>2,784,274</u>	<u>1,657,153</u>
Deferred inflows	<u>4,597,208</u>	<u>1,668,755</u>
Net position:		
Net investment in capital assets	10,951,499	11,255,463
Unrestricted	3,149,260	2,921,945
Total net position	<u>\$ 14,100,759</u>	<u>\$ 14,177,408</u>

A significant portion of Plymouth District Library's net position (78%) reflects its investment in capital assets (e.g., land, buildings, equipment, and library materials); less any related debt used to acquire those assets that are still outstanding. Plymouth District Library used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Plymouth District 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.

Plymouth District Library

Management's Discussion and Analysis

December 31, 2022

The remaining portion of net position, unrestricted net position (\$3,149,260) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Plymouth District Library was able to report positive balances in both categories of net position. The same situation held true for the prior fiscal year.

The government's net position decreased by \$76,649 during the current fiscal year as shown in the following table:

	Year Ended December 31	
	2022	2021
	(as restated)	
Revenues:		
Property taxes	\$ 3,659,901	\$ 3,579,697
Other revenues	433,725	361,238
Total revenues	<u>4,093,626</u>	<u>3,940,935</u>
Expenses:		
Salaries and employee benefits	2,611,233	1,995,274
Other expenditures	920,303	(339,209)
Depreciation and loss on disposal	638,739	1,316,889
Total expenses	<u>4,170,275</u>	<u>2,972,954</u>
Change in net position	<u>\$ (76,649)</u>	<u>\$ 967,981</u>

Governmental activities. Governmental activities decreased Plymouth District Library's net position by \$76,649 due to the following:

- Revenues increased by approximately \$153,000 primarily due to increases in both property tax revenues and contributions/donations.
- Expenses increased by approximately \$1,197,000. This stemmed from the following items:
 - Salaries and employee benefits expense increased by approximately \$616,000. Approximately half was due to increases in employee wages and benefit costs. The remaining portion related to changes in the net pension liability and net other post-employment benefit (OPEB) plan asset, as well as changes in deferred inflows and outflows related to those plans.
 - Other expenditures increased by approximately \$1,260,000 and depreciation and loss on disposal decreased by approximately \$678,000 primarily due to the Library capitalizing its full collection of library materials in the prior year (reducing prior year capital outlay expenditures) and recognizing accumulated depreciation on a portion of those newly capitalized materials in the prior year.

Plymouth District Library

Management's Discussion and Analysis

December 31, 2022

Financial Analysis of the Government's Funds

As noted earlier, Plymouth District Library used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Plymouth District Library's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Plymouth District 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, Plymouth District Library's governmental fund reported an ending fund balance of \$3,854,500, an increase of \$298,443 in comparison with the restated prior year ending fund balance. The increase in fund balance can be attributed to current year revenues exceeding current year expenditures. Revenues increased primarily due to increases in property tax revenues and donations/contributions. Expenditures increased primarily due to increases in salaries/wages and benefits expenditures, as well as due to fluctuations within other expenditure categories. 7% of this amount (\$257,101) constitutes unassigned fund balance, which is available for spending at the government's discretion. The Library has also "assigned" \$3,500,000 to a variety of future projects including facility improvements and future equipment needs. In addition, a portion of fund balance is classified as nonspendable and is related to prepaid expenses.

General Fund Budgetary Highlights

Total revenues were over the final budget by approximately \$112,000. A majority of the favorable revenue variance related to grants, donations/contributions, interest, and miscellaneous. Total expenditures were under the final budget by approximately \$95,000. This can be attributed to supply chain delays that pushed project timelines into the 2023 fiscal year, modifying our accounting practices to include pre-paid expenditures and accruals, and other fluctuations in expenditure amounts.

General Fund expenditure budget amendments during 2022 were primarily to improve library service offerings and align with changes to project scope and timing made during the year.

Capital Asset and Debt Administration

Capital assets. Plymouth District Library's investment in capital assets for its governmental activities as of December 31, 2022, amounted to \$10,951,499 (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, and equipment.

Plymouth District Library

Management's Discussion and Analysis

December 31, 2022

During 2022 capital asset additions of \$334,775 included additions to library materials totaling approximately \$227,000, as well as equipment and construction in progress additions totaling approximately \$108,000 for technology upgrades and new information technology hardware.

Long-term debt. At the end of the current fiscal year, Plymouth District Library had no long-term bonded debt outstanding.

Economic Factors and Next Year's Budgets and Rates

Tax capture remains the primary revenue source for the operation of Plymouth District Library. Between 1985-1994 voters approved a 1.7 millage in perpetuity to support library services, however, Headlee Rollbacks following the Great Recession decreased the library's 2022 millage rate to 1.428, which determines property tax revenue to be levied and collected related to the Library's year ending December 31, 2023.

Planned improvements and repairs to the library building are earmarked in the Library's General Fund. Aging furniture, carpeting, elevators, and lighting are all expected to be replaced in the next few years. Projects to increase the Library's energy efficiency are also planned, to make the institution less vulnerable to increasing utility costs.

Requests for Information

This financial report is designed to provide a general overview of Plymouth District Library's finances for all those with an interest in the Library's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Plymouth District Library Director.

Plymouth District Library

Statement of Net Position/General Fund Balance Sheet

December 31, 2022

	General Fund Modified Accrual Basis	Adjustments	Statement of Net Position
Assets:			
Cash and cash equivalents	\$ 4,086,972	\$ -	\$ 4,086,972
Investments	369,105	-	369,105
Prepaid expenses	97,399	-	97,399
Property taxes receivable	3,413,371	-	3,413,371
Accounts receivable	48,690	-	48,690
Capital assets – net of accumulated depreciation	-	10,951,499	10,951,499
Right to use asset (lease), net of accumulated amortization	-	34,336	34,336
Net OPEB asset	-	989,044	989,044
Total assets	<u>8,015,537</u>	<u>11,974,879</u>	<u>19,990,416</u>
Deferred outflow of resources:			
Deferred outflow related to pension	-	1,132,982	1,132,982
Deferred outflow related to OPEB	-	358,843	358,843
Total deferred outflows of resources	<u>-</u>	<u>1,491,825</u>	<u>1,491,825</u>
Liabilities:			
Accounts payable	21,212	-	21,212
Accrued expenses	101,608	-	101,608
Compensated absences	-	84,565	84,565
Lease liability	-	34,336	34,336
Net pension liability	-	2,542,553	2,542,553
Total liabilities	<u>122,820</u>	<u>2,661,454</u>	<u>2,784,274</u>
Deferred inflows of resources:			
Property taxes levied for a subsequent period	3,956,408	-	3,956,408
Deferred gift revenues	81,809	-	81,809
Deferred inflow related to pension	-	258,380	258,380
Deferred inflow related to OPEB	-	300,611	300,611
Total deferred inflows of resources	<u>4,038,217</u>	<u>558,991</u>	<u>4,597,208</u>
Fund balances and net position:			
Nonspendable	97,399	(97,399)	
Assigned:			
Unforeseen events/disasters	2,000,000	(2,000,000)	-
Capital projects	1,500,000	(1,500,000)	-
Unassigned	257,101	(257,101)	-
Total fund balances	<u>3,854,500</u>	<u>(3,854,500)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,015,537</u>		
Net position:			
Invested in capital assets		10,951,499	10,951,499
Unrestricted		3,149,260	3,149,260
Total net position		<u>\$ 14,100,759</u>	<u>\$ 14,100,759</u>

See accompanying notes to the basic financial statements.

Plymouth District Library

Statement of Activities/General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance

December 31, 2022

	General Fund Modified Accrual Basis	Adjustments	Statement of Activities
Revenues:			
Property taxes	\$ 3,659,901	\$ -	\$ 3,659,901
Local community stabilization act revenue	168,799	-	168,799
State shared revenues	36,667	-	36,667
Penal fines	23,025	-	23,025
Library materials fines and fees	11,550	-	11,550
Grants	26,186	-	26,186
Donations	112,771	-	112,771
Insurance claim reimbursement	864	-	864
Interest	28,291	-	28,291
Miscellaneous	25,572	-	25,572
Total revenues	4,093,626	-	4,093,626
Expenditures:			
Salaries and wages	1,899,932	4,444	1,904,376
Payroll taxes/benefits	640,173	66,684	706,857
Supplies	61,278		61,278
Contractual services	179,543		179,543
Telephone and utilities	201,295		201,295
Insurance	31,666		31,666
Repairs and maintenance	115,585		115,585
Capital outlay- library materials	367,357	(226,934)	140,423
Capital outlay- facility/equipment	198,782	(107,841)	90,941
Other expenses	99,572		99,572
Depreciation and loss on disposal of capital assets	-	638,739	638,739
Total expenditures	3,795,183	375,092	4,170,275
 Change in fund balance/change in net position	 298,443	 (375,092)	 (76,649)
 Fund balance/net position at beginning of year after restatement	 3,556,057	 10,621,351	 14,177,408
Fund balance/net position at end of year	\$ 3,854,500	\$ 10,246,259	\$ 14,100,759

See accompanying notes to the basic financial statements.

Plymouth District Library

Statement of Post-Employment Healthcare Plan Net Position – VEBA Trust

December 31, 2022

Assets

Cash and cash equivalents	\$	80,969
Investments, at fair value:		
Mutual funds - equities		1,590,461
Mutual funds - bonds		721,896
Total assets		<u>2,393,326</u>

Net position

Net position:		
Held in trust for post-employment healthcare benefits	\$	<u>2,393,326</u>

Plymouth District Library

Statement of Changes in Post-Employment Healthcare Plan Net Position – VEBA Trust

For the Year Ended December 31, 2022

Additions

Interest and dividends	\$ 49,075
Unrealized appreciation (loss) on securities	(515,535)
Employer contributions	-
Total additions	<u>(466,460)</u>

Deductions

Benefits	88,695
Administrative expenses	15,136
Total deductions	<u>103,831</u>

Net increase (decrease) in net position held in trust (570,291)

Net position at beginning of year	<u>2,963,617</u>
Net position at end of year	<u>\$ 2,393,326</u>

Plymouth District Library

Notes to Financial Statements

December 31, 2022

1. Summary of Significant Accounting Policies

Reporting Entity

The Plymouth District Library was established by the approval of the voters of Plymouth Township and the City of Plymouth in a special election held September 10, 1985. The District Library was formed under the authority of Public Act 164, of 1955. The District Library provides public library services to the residents of the Community.

In accordance with the provisions of the Governmental Accounting Standards Board the financial statements of the Plymouth District Library contain all the Library's funds and authorities for which the Library is financially accountable and the nature and significance of their relationship with the Library are such that exclusion would cause the Library's financial statements to be misleading or incomplete.

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 the nonfiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The statement of net position includes and recognizes all long-term assets and receivables, as well as long-term debt and obligations. The Library's net position is reported in two components – invested in capital assets; and unrestricted net position.

Plymouth District Library

Notes to Financial Statements

December 31, 2022

1. Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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 if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes 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.

Governmental Funds

The Library reports the following major governmental fund:

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

The Library has no non-major governmental funds.

Fiduciary Fund

Fiduciary Funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary funds include the following fund type:

VEBA Trust Fund: This fund accounts for the activities of the employee benefit plan that accumulates resources for certain postemployment benefit payments to qualified employees.

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

Plymouth District Library

Notes to Financial Statements

December 31, 2022

1. Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

Deposits and Investments

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The Library participates in the Michigan CLASS local government investment pool. The Library's shares in that pool are recorded at net asset value, which approximates fair value.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations and to invest in bonds, securities, obligations, or repurchase agreements of the United States, certificates of deposit, certain commercial paper, banker acceptances, certain obligations of the State of Michigan, mutual funds composed of otherwise legal investments, and external investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., non-current portion of interfund loans).

All trade and property tax receivables are shown net of allowances for uncollectible accounts, which are recorded at \$0 as of December 31, 2022. Measurement focus refers to what is being measured, and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds).

Plymouth District Library

Notes to Financial Statements

December 31, 2022

1. Summary of Significant Accounting Policies (continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized, nor are expenditures for property and equipment under the \$5,000 threshold established by the Library’s Fixed Asset Policy. In addition, library materials such as books and certain media are capitalized as a collection although they may have an individual cost less than \$5,000.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property and equipment of the Plymouth District Library are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-50
Furniture and Equipment	3-20
Library Collection Materials	10

Compensated Absences

The Library allows full and part-time employees to accumulate specific amounts of vacation time, under terms and conditions set by the employee handbook. In accordance with Governmental Accounting Standards Board Statement No. 16, accumulated unpaid vacation, sick pay and other employee benefits amounts are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only when they have matured or come due for payment. The total liability is recorded in the statement of net position.

Deferred Outflows of Resources

In addition to assets, the Library will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The Library reports deferred outflows of resources related to the pension and other post-employment benefit plan.

Plymouth District Library

Notes to Financial Statements

December 31, 2022

1. Summary of Significant Accounting Policies (continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the statement of net position.

Deferred Inflows of Resources

In addition to liabilities, the Library 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 one or more future periods and will not be recognized as an inflow of resources (revenue) until that time. The Library reports deferred inflows of resources related to taxes levied for a subsequent period, deferred gift revenues, and deferred inflows related to its pension and other post-employment benefit plan.

Fund Balance Classifications and Procedures

In accordance with generally accepted accounting procedures (GASB Statement No. 54), the Library presents fund balance in five possible categories:

Nonspendable – amounts which cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted – amounts constrained to specific purposes by externally imposed constraints placed on the use of resources by their providers (such as creditors, grantors, contributors, and laws and regulations of other levels of government).

Plymouth District Library

Notes to Financial Statements

December 31, 2022

1. Summary of Significant Accounting Policies (continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Fund Balance Classifications and Procedures (continued)

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Library Board (the government’s highest level of decision-making authority). A formal resolution of the Library Board is required to establish, modify, or rescind a fund balance commitment.

Assigned – amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances are developed by the Library Director, generally with review and approval of the Library Board.

Unassigned – amounts that are available for any purpose.

The Library has no minimum fund balance policies or stabilization funds.

Adopted Accounting Standard

On January 1, 2022, the Fund implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, and subsequent pronouncements. This standard enhances the relevance and consistency of information about the entity’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. The requirements of this standard were adopted for the December 31, 2022 financial statements. The adoption of this standard did not require an adjustment to beginning of year fund balance.

2. Stewardship, Compliance and Accountability

Budgetary Information

The Library is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

- a. Budgets must be adopted for the General Fund.
- b. Budgets must be balanced.
- c. Budgets must be amended as necessary.
- d. Public hearings must be held prior to adoption.
- e. Expenditures cannot exceed budget appropriations.
- f. Expenditures must be authorized by a budget appropriation prior to being incurred.

Plymouth District Library

Notes to Financial Statements

December 31, 2022

2. Stewardship, Compliance and Accountability (continued)

Budgetary Information (continued)

The Library follows the below procedures in establishing the budgetary data reflected in these financial statements:

1. Prior to December 1, the Library Director submits to the District Library Board the proposed operating budgets for the fiscal year commencing the following January 1. The operating budgets include proposed expenditures and the means of financing them for the General Fund.
2. Public hearings are conducted at the Library to obtain taxpayer comments.
3. Prior to December 31, the budgets are legally enacted at the activity level for the General Fund.
4. Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
5. Budget appropriations lapse at year end.
6. The Library does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds.
7. Budgeted amounts are reported as originally adopted or as amended by the District Library Board.
8. In 2022, budget amendments were made and are reflected in the financial statements.

Compliance with P.A. 621 of 1978

Fund Balance Deficits

The Library has no funds with accumulated fund balance deficits.

Excess of Expenditures Over Appropriations in Budgetary Funds

During the year ended December 31, 2022, the Library incurred expenditures in excess of the amounts appropriated as follows:

Budget Item	Budget Appropriation	Actual Expenditure	Variance
Salaries and wages	\$ 1,844,000	\$ 1,899,932	\$ 55,932
Telephone and utilities	190,000	201,295	11,295
Repairs and maintenance	114,000	115,585	1,585

Plymouth District Library

Notes to Financial Statements

December 31, 2022

3. Deposits and Investments

Following is a reconciliation of cash and investment balances as of December 31, 2022 to the accompanying financial statements:

Statement of Net Position:	
Cash and cash equivalents	\$ 4,086,972
Investments	369,105
Fiduciary Fund:	
Cash and cash equivalents	80,969
Investments	2,312,357
Total	<u>\$ 6,849,403</u>
Cash:	
Petty cash	\$ 710
Deposits and Investments:	
Checking/savings	3,052,331
Money market	80,969
Certificates of deposit	1,033,931
Investments	2,681,462
Total	<u>\$ 6,849,403</u>

Investments were valued as follows as of December 31, 2022:

Assets carried at fair value:	
Fixed Income Mutual Funds	\$ 721,896
Common Stock Mutual Funds	1,590,461
Assets carried at net asset value:	
External investment pools:	
Michigan CLASS	369,105
Total investments	<u>\$ 2,681,462</u>

State Law for Deposits and Investments

Under State law the Library is permitted to make deposits and invest in deposit accounts of federally insured banks, credit unions, and savings and loan associations and to invest in bonds, securities, obligations, or repurchase agreements of the United States, certificates of deposit, certain commercial paper, banker acceptances, certain obligations of the State of Michigan, mutual funds composed of otherwise legal investments, and external investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Plymouth District Library

Notes to Financial Statements

December 31, 2022

3. Deposits and Investments (continued)

State Law for Deposits and Investments (continued)

The Voluntary Employee Benefits (VEBA) Trust Fund is also authorized by Michigan law to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt, or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

Deposit and Investment Risk

The Library's cash and investments are subject to several types of risk, which are detailed below:

Custodial Credit Risk of Bank Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be recovered. The Library does not have a deposit policy for custodial credit risk. As of December 31, 2022, the Library's book balance of its deposits across all funds was \$4,167,231. The bank balance was \$4,215,376, which was exposed to custodial credit risk, as follows:

	Bank Balance
Insured by F.D.I.C	\$ 1,076,661
Uninsured and Uncollateralized	3,138,715
Total	<u>\$ 4,215,376</u>

Interest Rate Risk: Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Library's policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. At year end, the average maturities of fixed income investments are as follows:

<u>VEBA Investments</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Fixed income:		
Vanguard Total Bond Index Admiral, Fund #584	\$ 319,618	8.9 years
Vanguard Intermediate-Term Corporate Fund Admiral Shares Fund #571	\$ 402,278	7.6 years

Plymouth District Library

Notes to Financial Statements

December 31, 2022

3. Deposits and Investments (continued)

Deposit and Investment Risk (continued)

Credit Risk: State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Library has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating
<u>VEBA Investments</u>			
Fixed Income:			
Vanguard Total Bond Index Admiral, Fund #584	\$ 319,618	86.2% A or above 13.8% BBB or below	Moody's or S&P
Vanguard Intermediate-Term Corporate Fund Admiral Shares Fund #571	\$ 402,278	52.4% A or above 47.6% BBB or below	Moody's or S&P

Concentration of Credit Risk: The Library places no limit on the amount the Library may invest in any one issuer (VEBA board only permits mutual fund investments to gain diversification). The Library has more than 5% of its investments in the following:

<u>VEBA Investments</u>	
Vanguard 500 Index Admiral Fund #540	44.64%
Vanguard Total Bond Market Index Admiral Fund #584	13.82%
Vanguard Developed Markets Foreign Mutual Fund	12.78%
Vanguard Intermediate Term Corporate Admiral Bond Fund #571	17.40%
Vanguard Small Cap Index Admiral Mutual Fund #540	6.67%

Plymouth District Library

Notes to Financial Statements

December 31, 2022

3. Deposits and Investments (continued)

Deposit and Investment Risk (continued)

Custodial Credit Risk of Investments: 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. The Library does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent in the Library's name.

<u>Type of Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
<u>VEBA Investments</u>		
Fixed Income Mutual Funds	\$ 721,896	Counterparty
Common Stock Mutual Funds	\$ 1,590,461	Counterparty
<u>Governmental Fund Investments</u>		
MI CLASS	\$ 369,105	Counterparty

4. Fair Value Measurements

The Library categorizes its fair value measurements 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.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Library's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

All of the Library's investments measured at fair value are considered to be Level 1 inputs.

5. Investments Valued at Net Asset Value (NAV)

The Michigan (MI) CLASS investment has a stable value of \$1.00 per share and is value at NAV. MI CLASS has no minimum deposit, holding, or redemption requirements. Withdrawals can be made daily. The investment is rated "AAAm" by S&P.

Plymouth District Library

Notes to Financial Statements

December 31, 2022

6. Capital Assets

Capital asset activity for the year ended December 31, 2022 was as follows:

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not depreciated:				
Construction in progress	\$ -	\$ 56,158	\$ -	\$ 56,158
Land	765,210	-	-	765,210
	<u>765,210</u>	<u>56,158</u>	<u>-</u>	<u>821,368</u>
Capital assets, being depreciated:				
Building and improvements	15,078,290	-	-	15,078,290
Equipment	999,958	51,683	(21,919)	1,029,722
Books	1,602,509	226,934	(57,985)	1,771,458
Furniture and fixtures	1,923,439	-	-	1,923,439
	<u>19,604,196</u>	<u>278,617</u>	<u>(79,904)</u>	<u>19,802,909</u>
Less: Accumulated depreciation:				
Building and improvements	5,505,198	364,854	-	5,870,052
Equipment	926,447	63,679	(43,509)	946,617
Books	826,107	160,251	-	986,358
Furniture and fixtures	1,856,191	13,560	-	1,869,751
	<u>9,113,943</u>	<u>602,344</u>	<u>(43,509)</u>	<u>9,672,778</u>
Governmental Activities Capital assets, net	<u>\$11,255,463</u>	<u>\$ (267,569)</u>	<u>\$ (36,395)</u>	<u>\$ 10,951,499</u>

Depreciation expense was \$602,344 for the year ended December 31, 2022.

7. Long-term Debt

Long-term debt obligation of the Library can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental Activities:</u>				
Compensated absences	\$ 80,121	\$ 4,444	\$ -	\$ 84,565

Plymouth District Library
Notes to Financial Statements

December 31, 2022

8. Leases

The Library's lease agreements as of December 31, 2022, are summarized as follows:

Description	Origination Date	Payment Term	2022 Payment Amount	Interest Rate	Total Original Lease Liability	Current Year Additional Outflows	Balance December 31, 2022
Library Printers/Copiers	11/22/2022	5 years	\$ 1,184	N/A	\$ 35,520	\$ -	\$ 34,336
Total lease agreements			<u>\$ 1,184</u>			<u>\$ -</u>	<u>\$ 34,336</u>

The Library leases printers/copiers through a lease agreement that was executed on November 22, 2022, at which time payments began. The lease expires 60 months from execution, which is November 21, 2027 and is not renewable. The lease contains a purchase option that the Library does not expect to exercise.

Lease commitments consisting solely of principal amounts due are as follows as of December 31, 2022:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>
2023	\$ 7,104
2024	7,104
2025	7,104
2026	7,104
2027	5,920
	<u>\$ 34,336</u>

Plymouth District Library

Notes to Financial Statements

December 31, 2022

9. Assets Held at Community Foundation

There are two endowment funds administered by the Community Foundation for Southeast Michigan (CFSEM) for the benefit of the Library. The CFSEM is a public charity that is funded through donations by a large number of contributors. Although the Library does not control the assets held at the CFSEM, by agreement, the purpose of the endowment funds is to provide support and furtherance of programs and activities of Plymouth District Library. Accordingly, the Library has not recorded these assets in its financial statements. Revenue is recorded when distributions are received from the CFSEM.

A summary of changes in assets held at the CFSEM is as follows:

Balance – January 1, 2022	\$ 1,199,784
Contributions	5,200
Investment earnings (losses), net of fees	(141,023)
Distributions	(47,028)
Balance – December 31, 2022	<u>\$ 1,016,933</u>

Each year, the Library can withdraw 4.5% of the average of the prior twelve quarters-end market value through June 30 of the previous year. As of December 31, 2022, the amount available to draw in 2023 approximated \$48,000.

10. Property Taxes

Property taxes are assessed as of each December 31. The Library tax levy is billed on July 1 of the following year, and payable in eight installments through February. Taxes are considered delinquent on March 1 at which time the applicable property is subject to lien and penalty and interest is assessed. The maximum authorized operating levy for the Library on the 2022 tax roll is as follows:

Type	Source of Authorization	Original Authorization	Maximum Authorization After “Roll Back”	Amount Levied
Operating	Vote: 11/85	.8000	.6257	.6257
Operating	Vote: 11/87	.4000	.3240	.3240
Operating	Vote: 11/94	.5000	.4783	.4783
Total				<u>1.4280</u>

Plymouth District Library

Notes to Financial Statements

December 31, 2022

11. Municipal Employees Retirement System Defined Benefit Plan

Plan Description

The Plymouth District Library participates in the Municipal Employees Retirement System (MERS); a multiple employer state-wide, public employee defined benefit pension plan created under Public Act 135 of 1945, and now operates under Public Act 220 of 1996, and the MERS Plan Document as revised. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to the State of Michigan’s local government employees. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefits provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by accessing the MERS website at www.mersofmich.com.

Benefit Provisions

- Benefit Multiplier 2.0%
- Normal Retirement – Age 60
- Vesting – 8 years
- Early Retirement – 55/25 (unreduced)
- Early Retirement – 50/25 (reduced)
- Early Retirement – 55/15 (reduced)
- Final Average Compensation – 5 years
- COLA – 2.5% (non compounded)

Employees Covered by Benefit Terms

As of the December 31, 2022 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	15
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	<u>15</u>
Total employees covered by MERS	<u><u>34</u></u>

Plymouth District Library

Notes to Financial Statements

December 31, 2022

11. Municipal Employees Retirement System Defined Benefit Plan (continued)

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

The plan adopted by the District Library Board requires no member contributions. The Library is required to contribute at an actuarially determined rate; the rate for 2022 (determined as of the December 31, 2020 valuation) was 30.44% of covered payroll from January through August and a monthly rate of \$24,070 from September through December. Total contributions made during 2022 were \$302,081. Contribution requirements of plan members and the Library are established and may be amended by the Library, depending on the MERS contribution program adopted by the Library.

Net Pension Liability

The net pension liability reported as of December 31, 2022 was determined using a measurement of the total pension liability and the pension net position as of December 31, 2022, using an actuarial valuation performed as of December 31, 2021.

Plymouth District Library

Notes to Financial Statements

December 31, 2022

11. Municipal Employees Retirement System Defined Benefit Plan (continued)

The components of the change in the net pension liability during the measurement year were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance as of January 1, 2022	\$ 5,914,511	\$ 4,337,479	\$ 1,577,032
Service cost	105,374	-	105,374
Interest	437,110	-	437,110
Contributions – employer	-	302,081	(302,081)
Contributions – employee	-	-	-
Net investment income (loss)	-	(449,814)	449,814
Changes in assumptions	217,780	-	217,780
Changes in experience	49,656	-	49,656
Benefit payments, including refunds	(431,509)	(431,509)	-
Administrative expenses	(70)	(7,938)	7,868
Net changes	378,341	(587,180)	965,521
Balance as of December 31, 2022	\$ 6,292,852	\$ 3,750,299	\$ 2,542,553

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

As of December 31, 2022 the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Net Deferred Outflows (Inflows) of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 361,014
Net difference related to changes in experience	114,179
Net difference related to changes in assumptions	399,409
Total	<u>\$ 874,602</u>

Plymouth District Library

Notes to Financial Statements

December 31, 2022

11. Municipal Employees Retirement System Defined Benefit Plan (continued)

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

Year Ended December 31	Amount
2023	\$ 289,534
2024	259,709
2025	170,510
2026	154,849
Total	<u>\$ 874,602</u>

Actuarial Assumptions

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

Inflation	2.5%
Salary increases	3.0%
Investment on rate of return	7.0%

The base mortality tables used are constructed as described below and are based on amount weighted sex distinct rates:

- Pre-retirement mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 100% of PubG-2010 Employee Mortality Tables for ages 18-80, and 100% of PubG-2010 Healthy Retiree Tables for ages 81-120
- Non-disabled retired plan members and beneficiaries mortality based on 106% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 106% of PubG-2010 Employee Mortality Tables for ages 18-49, and 106% of PubG-2010 Healthy Retiree Tables for ages 50-120
- Disabled retired plan members mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, and 100% of PubNS-2010 Disabled Retiree Tables for ages 18-120

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of the most recent actuarial experience study of 2014-2018.

Plymouth District Library

Notes to Financial Statements

December 31, 2022

11. Municipal Employees Retirement System Defined Benefit Plan (continued)

Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2022 was 7.25%. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2022, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	60.00%	3.15%
Global Fixed Income	20.00%	0.25%
Private Investments	20.00%	1.45%

Plymouth District Library

Notes to Financial Statements

December 31, 2022

11. Municipal Employees Retirement System Defined Benefit Plan (continued)

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

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

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 3,243,499	\$ 2,542,553	\$ 1,952,809

12. Voluntary Employees Beneficiary Association (VEBA)

The Plymouth District Library Voluntary Employees Beneficiary Association (VEBA) Plan is a single-employer defined benefit post-employment healthcare plan established by Plymouth District Library to provide medical and healthcare benefits for retirees and their beneficiaries. Eligible participants include any retirees who receive pension benefits under the Plymouth District Library's pension plan. Plan provisions are established and may be amended by the Plymouth District Library Board of Trustees. The Plan is funded by a trust agreement established pursuant to Section 501(c)(9) of the Internal Revenue Code which allows for the formation of a VEBA.

Membership in the plan consisted of:

Retirees and survivors eligible for benefits	8
Inactive plan members	1
Active plan members	15
Total participants	<u>24</u>

Subject to certain age and length of service requirements, eligible participants receive the same medical insurance coverage under the Plan as was in effect at the time of their employment. At such time participants become Medicare eligible, the benefits under the Plan change to Medicare Supplemental coverage.

Plymouth District Library

Notes to Financial Statements

December 31, 2022

12. Voluntary Employees Beneficiary Association (VEBA) (continued)

Summary of Significant Accounting Policies

Basis of Accounting. The financial statements for the VEBA trust are prepared using the accrual basis of accounting. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments. Investments are reported at fair value, which is determined by the mean of the most recent bid and asked prices as obtained from dealers that make markets in such securities. Securities for which market quotations are not readily available are valued at their fair value as determined by the custodian under the direction of the VEBA board of trustees, with the assistance of a valuation service.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Changes in Net Other Post-Employment Benefits (OPEB) Liability

The components of the change in the Net Other Post-Employment Benefits (OPEB) liability are summarized as follows:

	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (Asset) (a) – (b)
Balance as of January 1, 2021	\$ 1,372,754	\$ 2,963,617	\$ (1,590,863)
Service cost	72,848	-	72,848
Interest	96,879	-	96,879
Experience (gains) losses	80,758	-	80,758
Change in actuarial assumptions	(80,019)	-	(80,019)
Employer contributions	-	50,243	(50,243)
Net investment income (loss)	-	(466,460)	466,460
Benefit payments, including refunds	(138,938)	(138,938)	-
Administrative expenses	-	(15,136)	15,136
Net changes	31,528	(570,291)	601,819
Balance as of December 31, 2022	\$ 1,404,282	\$ 2,393,326	\$ (989,044)

Plymouth District Library

Notes to Financial Statements

December 31, 2022

12. Voluntary Employees Beneficiary Association (VEBA) (continued)

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

As of December 31, 2022, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ 272,585	\$ -
Net difference related to changes in experience	80,510	(165,339)
Net difference related to changes in assumptions	5,748	(135,272)
Total	\$ 358,843	\$ (300,611)

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

Year Ended December 31	Amount
2023	\$ (97,981)
2024	9,378
2025	64,074
2026	111,156
2027	(23,133)
Thereafter	(5,262)
Total	\$ 58,232

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability (asset) of the Library as of December 31, 2022, calculated using the discount rate of 7.5%, as well as what the Library's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
\$ (805,464)	\$ (989,044)	\$ (1,140,765)

Plymouth District Library

Notes to Financial Statements

December 31, 2022

12. Voluntary Employees Beneficiary Association (VEBA) (continued)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate (continued)

The following presents the net OPEB liability of the Library as of December 31, 2022, as well as what the Library's net OPEB liability would be if it were calculated using healthcare trends rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

1% Decrease	Healthcare Cost Trend Rate	1% Increase
\$ (1,169,994)	\$ (989,044)	\$ (764,876)

13. Risk Management

The Library is a member of the Michigan Municipal Liability and Property Pool for its general liability coverage and a member of the Michigan Municipal Workers Compensation Fund for its workers compensation coverage. Both pools are sponsored by the Michigan Municipal League. The Library pays annual premiums to the pools. The pools are self-sustaining through member premiums, and each carries reinsurance through commercial companies for claims in excess of the pool loss reserve fund.

In the event that a single loss should exceed the amount of protection afforded by the pool loss reserve fund, reinsurance, or other insurance carried by the pools, or in the event that a series of losses should deplete or exhaust the loss reserve fund and reinsurance, the payment of valid losses shall be the obligation of the individual member or members of the respective pool against whom the claim was made.

No such event has occurred with the Library and the pools to which it belongs in any of the past three fiscal years.

Plymouth District Library

Notes to Financial Statements

December 31, 2022

14. Reconciliation of Fund Financial Statements to Government-Wide Financial Statements

Total fund balance and the net change in fund balance of the Library's governmental fund differs from net position and changes in net position of the governmental activities reported in the statement of net position and statement of activities. This difference primarily results from the long-term economic focus of the statement of net position and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and changes in fund balance. The following are reconciliations of fund balance to net position and the net change in fund balance to the net change in net position:

Total Fund Balance – Modified Accrual Basis	\$ 3,854,500
Amounts reported in the statement of net position are different because:	
Capital assets and leases are not financial resources and are not reported in the fund:	
Capital assets	10,951,499
Lease right-of-use asset	34,336
Certain assets are not available for use in the current period and therefore are not reported in the funds:	
Net other post-employment benefit (OPEB) asset	989,044
Deferred outflows related to pension	1,132,982
Deferred outflows related to OBEB	358,843
Certain liabilities, including amounts due for compensated absences, are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(84,565)
Net pension liability	(2,542,553)
Deferred inflows related to pension	(258,380)
Deferred inflows related to OPEB	(300,611)
Lease liability	(34,336)
Net Position – Full Accrual Basis	\$ 14,100,759
Net Change in Fund Balance – Modified Accrual Basis	\$ 298,443
Amounts reported in the statement of activities are different because:	
Capital outlays are reported as expenditures in the statement of revenues, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	334,775
Depreciation and loss on disposal	(638,739)
Change in the accrual for long-term compensated absences reported in the statement of activities but not in the governmental funds	(4,444)
Change in net pension liability and related deferred amounts is reported in the statement of activities but not in the governmental funds	184,795
Change in the net OPEB asset and related deferred amounts is reported in the statement of activities but not in the governmental funds	(251,479)
Net Change in Net Position – Full Accrual Basis	\$ (76,649)

Plymouth District Library

Notes to Financial Statements

December 31, 2022

15. Restatement

Beginning net position/fund balance as of December 31, 2022 have been restated to as a result of accounting errors identified by the Library. Corrections were made to cash, compensated absences, capital assets, deferred outflows related to pension, and deferred inflows related to pension. The cumulative effect increased beginning fund balance by \$26,837 and increased beginning net position by \$192,526 as of December 31, 2022, as shown below:

	<u>Fund Balance</u>	<u>Net Position</u>
Balance as of December 31, 2021 per prior year audited financial statements	\$ 3,529,220	\$ 13,984,882
Plus: Asset/Deferred outflows corrections:		
Cash	26,837	26,837
Capital assets	-	776,403
Deferred outflows related to pension	-	(161,545)
Minus: Liability/Deferred inflows corrections:		
Compensated absences correction	-	20,675
Deferred inflows related to pension correction	-	428,494
Restated balance as of December 31, 2021	<u>\$ 3,556,057</u>	<u>\$ 14,177,408</u>

Required Supplementary Information

Plymouth District Library

Budgetary Comparison Schedule - General Fund

Year Ended December 31, 2022

	General Fund			
	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 3,669,400	\$ 3,824,000	\$ 3,659,901	\$ (164,099)
Local community stabilization act revenue	-	-	168,799	168,799
State shared revenues	28,000	36,000	36,667	667
Penal fines	20,000	23,000	23,025	25
Library materials fines and fees	35,000	10,000	11,550	1,550
Grants	-	17,000	26,186	9,186
Donations	53,000	50,000	112,771	62,771
Insurance claim reimbursement	-	-	864	864
Interest	5,000	17,000	28,291	11,291
Miscellaneous	14,000	5,000	25,572	20,572
Total revenues	3,824,400	3,982,000	4,093,626	111,626
Expenditures:				
Salaries and wages	1,839,000	1,844,000	1,899,932	(55,932)
Payroll taxes/benefits	669,100	672,100	640,173	31,927
Supplies	83,000	77,000	61,278	15,722
Contractual services	179,700	217,400	179,543	37,857
Telephone and utilities	181,000	190,000	201,295	(11,295)
Insurance	60,000	60,000	31,666	28,334
Repairs and maintenance	113,265	114,000	115,585	(1,585)
Capital outlay- library materials	373,450	392,500	367,357	25,143
Capital outlay- facility/equipment	221,465	207,565	198,782	8,783
Other expenses	104,270	116,000	99,572	16,428
Total expenditures	3,824,250	3,890,565	3,795,183	95,382
Change in fund balance	150	91,435	298,443	207,008
Fund balance at beginning of year, as restated	3,556,057	3,556,057	3,556,057	-
Fund balance at end of year	\$ 3,556,207	\$ 3,647,492	\$ 3,854,500	\$ 207,008

Plymouth District Library

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of Changes in the Net Pension Liability and Related Ratios

	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability:								
Service cost	\$ 105,374	\$ 104,921	\$ 106,073	\$ 94,263	\$ 95,461	\$ 103,754	\$ 87,225	\$ 85,181
Interest	437,110	412,418	379,351	381,705	352,390	318,554	298,067	296,777
Other changes	(70)	-	-	-	-	-	15,055	4,492
Changes in assumptions	217,780	405,366	133,564	-	-	-	239,342	-
Changes in experience	49,656	85,658	136,432	-	92,664	115,236	57,284	-
Benefit payments, including refunds	(431,509)	(377,776)	(346,897)	(339,602)	(317,251)	(270,055)	(261,838)	(256,013)
Net change in total pension liability	378,341	630,587	408,523	136,366	223,264	267,489	435,135	130,437
Total pension liability at beginning of year	5,914,511	5,283,924	4,875,401	4,739,035	4,515,771	4,248,282	3,813,147	3,682,710
Total pension liability at end of year	\$ 6,292,852	\$ 5,914,511	\$ 5,283,924	\$ 4,875,401	\$ 4,739,035	\$ 4,515,771	\$ 4,248,282	\$ 3,813,147
Plan fiduciary net position:								
Contributions – employer	\$ 302,081	\$ 199,138	\$ 191,925	\$ 190,014	\$ 154,875	\$ 174,414	\$ 124,389	104,786
Contributions – employee	-	-	-	-	-	-	-	-
Net investment income	(449,814)	550,802	455,563	452,712	(140,294)	438,524	353,258	(49,059)
Administrative expenses	(7,938)	(6,319)	(7,300)	(7,797)	(7,065)	(6,950)	(6,977)	(7,246)
Benefit payments, including refunds	(431,509)	(377,776)	(346,897)	(339,602)	(317,251)	(270,055)	(261,838)	(256,013)
Net change in plan fiduciary net position	(587,180)	365,845	293,291	295,327	(309,735)	335,933	208,832	(207,532)
Plan fiduciary net position at beginning of year	4,337,479	3,971,634	3,678,343	3,383,016	3,692,751	3,356,818	3,147,986	3,355,518
Plan fiduciary net position at end of year	\$ 3,750,299	\$ 4,337,479	\$ 3,971,634	\$ 3,678,343	\$ 3,383,016	\$ 3,692,751	\$ 3,356,818	\$ 3,147,986
Library's net pension liability – ending	\$ 2,542,553	\$ 1,577,032	\$ 1,312,290	\$ 1,197,058	\$ 1,356,019	\$ 823,020	\$ 891,464	\$ 665,161
Plan fiduciary net position as a percent of total pension liability	59.6%	73.3%	75.2%	75.4%	71.4%	81.8%	79.0%	82.5%
Covered employee payroll	\$ 899,777	\$ 894,338	\$ 934,547	\$ 822,228	\$ 831,923	\$ 913,279	\$ 836,285	\$ 836,289
Library's net pension liability as a percent of covered employee payroll	282.6%	176.3%	140.4%	145.6%	163.0%	90.1%	106.6%	79.5%

Plymouth District Library

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of Library Pension Contributions

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 288,840	\$ 219,798	\$ 191,925	\$ 185,912	\$ 154,875	\$ 136,414	\$ 124,389	\$ 104,786	\$ 76,827	\$ 59,159	\$ 55,659
Contributions in relation to the actuarially determined contribution	302,081	219,798	191,925	185,912	154,875	174,414	124,389	104,786	76,827	59,159	55,659
Contributions additional (deficiency)	\$ 13,241	\$ -	\$ -	\$ -	\$ -	\$ 38,000	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 899,777	\$ 907,883	\$ 894,338	\$ 885,305	\$ 828,650	\$ 913,279	\$ 836,285	\$ 800,682	\$ 768,879	\$ 810,576	\$ 810,486
Contributions as a percentage of covered employee payroll	33.6%	24.2%	21.5%	21.0%	18.7%	19.1%	14.9%	13.1%	10.0%	7.3%	6.9%

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost
Amortization method	Level percent
Remaining amortization period	18 years
Asset valuation method	5-year smoothed market
Salary increases	3.00% including inflation of 2.5%
Investment rate of return	7.35%
Normal retirement age	Age 60
Mortality	Pre-retirement mortality:
	-100% of Pub-2010 Juvenile Mortality Tables for Ages 0-17
	-100% of PubG-2010 Employee Mortality Tables for Ages 18-80
	-100% of PubG-2010 Healthy Retiree Tables for Ages 81-120
	Non-disabled retired plan members and beneficiaries:
	-106% of Pub-2010 Juvenile Mortality Tables for Ages 0-17
	-106% of PubG-2010 Employee Mortality Tables for Ages 18-49
	-106% of PubG-2010 Healthy Retiree Tables for Ages 50-120
	Disabled retired plan members:
	-100% of Pub-2010 Juvenile Mortality Tables for Ages 0-17
	-100% of PubNS-2010 Disabled Retiree Tables for Ages 18-120

Plymouth District Library

Other Post-Employment Healthcare Plan- VEBA Trust

Schedule of Changes in the Net OPEB Liability and Related Ratios

	2022	2021	2020	2019	2018
Total OPEB liability:					
Service cost	\$ 72,848	\$ 53,832	\$ 75,405	\$ 94,042	\$ 97,344
Interest	96,879	102,602	103,600	92,131	85,860
Experience (gains) losses	80,758	(140,832)	(257,855)	(11,433)	(13,595)
Change in benefit terms	-	-	-	-	(148,180)
Change in actuarial assumptions	(80,019)	(27,209)	(194,336)	(438,433)	133,476
Benefit payments	(138,938)	(80,457)	(40,593)	(24,539)	(19,003)
Net change in total pension liability	31,528	(92,064)	(313,779)	(288,232)	135,902
Total OPEB liability at beginning of year	1,372,754	1,464,818	1,677,340	1,965,572	1,829,670
Total OPEB liability at end of year	<u>\$ 1,404,282</u>	<u>\$ 1,372,754</u>	<u>\$ 1,363,561</u>	<u>\$ 1,677,340</u>	<u>\$ 1,965,572</u>
Plan fiduciary net position:					
Contributions - employer	\$ 50,243	\$ -	\$ 117,100	\$ 118,216	\$ 38,000
Net investment income	(466,460)	413,689	400,655	(91,637)	245,450
Benefit payments, including refunds	(138,938)	(22,304)	(40,593)	(24,539)	(19,003)
Administrative expenses	(15,136)	(15,575)	(12,815)	(11,321)	(11,207)
Net change in plan fiduciary net position	(570,291)	375,810	464,347	(9,281)	253,240
Plan fiduciary net position at beginning of year	2,963,617	2,587,807	1,796,964	1,806,245	1,553,005
Plan fiduciary net position at end of year	<u>\$ 2,393,326</u>	<u>\$ 2,963,617</u>	<u>\$ 2,261,311</u>	<u>\$ 1,796,964</u>	<u>\$ 1,806,245</u>
Library's net OPEB liability (asset) - ending	<u>\$ (989,044)</u>	<u>\$ (1,590,868)</u>	<u>\$ (897,750)</u>	<u>\$ (119,624)</u>	<u>\$ 159,327</u>
Plan fiduciary net position as a percent of total OPEB liability	170.4%	215.9%	165.8%	107.1%	91.9%
Covered employee payroll	n/a	n/a	n/a	n/a	n/a
Library's net OPEB liability as a percent of covered employee payroll	n/a	n/a	n/a	n/a	n/a

Plymouth District Library

Other Post-Employment Healthcare Plan- VEBA Trust

Schedule of Library OPEB Contributions

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ -	\$ -	\$ 62,723	\$ 117,100	\$ 118,216	\$ 38,000	\$ 45,000	\$ 42,000	\$ 36,847	\$ 36,847	\$ 36,847
Contributions in relation to the actuarially determined contribution	-	-	62,723	117,100	118,216	38,000	45,000	42,000	36,847	36,847	36,847
Contributions additional (deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Contributions as a percentage of covered employee payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31 each year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Salary increases	3.0%
Investment rate of return (includes inflation)	7.50%
Healthcare cost trend rates	8.0%, gradually decreasing to 5.0% over 6 years
Retirement age	Age 60. Library contributes 90% of the premium for retirees with 20 years of service; Library contributes 50% of the premium for retirees with at least 10 but less than 20 years of service.
Mortality	2010 Public General Employees and Healthy Retirees, Headcount weighted, with MP-2021 Improvement Scale