



TO: Plymouth District Library Board DATE: June 14, 2022
RE: 2021 Audit Presentation FROM: Shauna Anderson,
Director

Rana Emmons, CPA of PSLZ PLLC will present the 2021 Financial Audit for Plymouth District Library at the June board meeting. Our audit is due to the state by June 30, 2022. I recommend that the board accept this audit for submission.

RESOLVED BY _____, SECONDED BY _____, TO APPROVE THE 2021 FINANCIAL AUDIT.

AYES_____

NAYS_____

**PLYMOUTH DISTRICT LIBRARY
Wayne County, Michigan**

AUDITED FINANCIAL REPORT

**For the Fiscal Year Ended
December 31, 2021**

PLYMOUTH DISTRICT LIBRARY
For the Year Ended December 31, 2021

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FINANCIAL SECTION

PSLZ PLLC

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Independent Auditor's Report

May 26, 2022

To the Board of Trustees
Plymouth District Library
Wayne County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of Plymouth District Library as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Plymouth District Library as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Plymouth District Library's basic financial statements. The General Fund statement of revenues, expenditures and changes in fund balance – budget and actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Respectfully,



PSLZ PLLC
Certified Public Accountants

Management's Discussion and Analysis

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, 2021.

Financial Highlights

- The assets of Plymouth District Library exceeded its liabilities at the close of the most recent fiscal year by \$13,984,882 (*net position*). Of this amount, \$3,505,822 (*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 \$3,529,220, an increase of \$391,055 in comparison with the prior year. 35% of the total amount, \$1,252,317 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 comprise 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).

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 9 and 10 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 statement 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 14 and 15 of this report.

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 16-38 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 exceeded liabilities by \$13,984,882 at the close of the most recent fiscal year.

	2021	2020
Current and other assets	\$ 5,584,192	\$ 4,751,431
Capital Assets	10,479,060	10,943,645
Total Assets	<u>16,063,252</u>	<u>15,695,076</u>
Deferred Outflows	<u>798,369</u>	<u>263,808</u>
Long-term Liabilities	1,636,478	1,429,366
Other Liabilities	-	245,968
Total Liabilities	<u>1,636,478</u>	<u>1,675,334</u>
Deferred Inflows	<u>1,240,261</u>	<u>1,299,362</u>
Net Position:		
Net Investment in capital assets	10,479,060	10,943,645
Unrestricted	3,505,822	2,040,543
Total Net Position	<u>\$ 13,984,882</u>	<u>\$ 12,984,188</u>

A significant portion of Plymouth District Library's net position (75 percent) reflects its investment in capital assets (e.g., land, buildings, and equipment); 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.

The remaining portion of net position, *unrestricted net position* (\$3,505,822) 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 is 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 increased by \$775,455 during the current fiscal year as shown in the following table:

	<u>2021</u>	<u>2020</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 70,013	\$ 49,761
Operating Grants & Contributions	306,849	313,599
General Revenues:		
Property Taxes	3,579,697	3,496,788
Unrestricted Investment Earnings	747	23,835
Total Revenues	<u>3,957,306</u>	<u>3,883,983</u>
Program Expenses:		
Public Library	<u>3,181,851</u>	<u>3,818,576</u>
Total Expenses	<u>3,181,851</u>	<u>3,818,576</u>
Change in Net Position	<u>\$ 775,455</u>	<u>\$ 65,407</u>

Governmental activities. Governmental activities increased Plymouth District Library's net position by \$775,455 due to the following:

- The Library's operating and capital expenditures decreased in the current year as the Library was closed for a portion of the year due to the global pandemic.
- The Library received more in State reimbursements of the phased out personal property taxes in the current year (\$154,861) than in the prior year (\$132,863).
- The Library's defined benefit pension fund increased due to investment earnings exceeding the projected earning amounts and also changes to the actuarial assumptions resulted in an increase in pension assets.

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 \$3,529,220, an increase of \$391,055 in comparison with the prior year. The increase in fund balance was due to a decrease in capital improvements during the current year. 35% of this amount (\$1,252,317 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The Library has also "assigned" \$2,276,903 to a variety of future projects including facility improvements and future equipment needs.

General Fund Budgetary Highlights

General Fund expenditure budget amendments during 2021 were primarily for capital improvement projects and repairs and maintenance.

Capital Asset and Debt Administration

Capital assets. Plymouth District Library's investment in capital assets for its governmental activities as of December 31, 2021, amounted to \$10,479,060 (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, and equipment.

During 2021 capital asset additions of \$26,197 included improvements to the library building's elevator.

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 millage to 1.4364 in 2022. This resulted in over \$600,000 lost revenue in this fiscal year alone. Our millage is expected to decrease again in 2023. This annual revenue has a direct impact on the services that the library can provide the community.

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.

BASIC FINANCIAL STATEMENTS

PLYMOUTH DISTRICT LIBRARY

Statement of Net Position

December 31, 2021

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 3,946,064
Prepaid Expenditures	47,265
Net OPEB Asset	1,590,863
Capital Assets (Net of Accumulated Depreciation)	10,479,060
Total Assets	<u>16,063,252</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>	
Deferred Outflows related to Pension	750,598
Deferred Outflows related to OPEB	47,771
Total Deferred Outflows	<u>798,369</u>
<u>LIABILITIES</u>	
Accounts Payable	-
Noncurrent Liabilities:	
Compensated Absences	59,446
Net Pension Liability	1,577,032
Total Liabilities	<u>1,636,478</u>
<u>DEFERRED INFLOWS</u>	
Deferred Inflows related to OPEB	776,152
Taxes Collected in Advance	464,109
Total Deferred Inflows	<u>1,240,261</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	10,479,060
Unrestricted	3,505,822
Total Net Position	<u>\$ 13,984,882</u>

PLYMOUTH DISTRICT LIBRARY
Statement of Activities
For the Year Ended December 31, 2021

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Primary Government:	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Public Library	\$ 3,181,851	\$ 70,013	\$ 306,849	\$ (2,804,989)
Total Governmental Activities	\$ 3,181,851	\$ 70,013	\$ 306,849	\$ (2,804,989)
		General Revenues:		
		Property Taxes	3,579,697	
		Unrestricted Investment Earnings	747	
		Total General Revenues	3,580,444	
		Change in Net Position		775,455
		Net Position – Beginning		13,209,427
		Net Position – Ending		\$ 13,984,882

PLYMOUTH DISTRICT LIBRARY

Balance Sheet
Governmental Funds
December 31, 2021

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 3,946,064
Accounts Receivable	<u>47,265</u>
Total Assets	<u>\$ 3,993,329</u>
<u>LIABILITIES, DEFERRED INFLOWS</u>	
<u>AND FUND BALANCES</u>	
Liabilities:	
Accounts Payable	\$ <u>-</u>
Deferred Inflows:	
Taxes Collected in Advance	<u>464,109</u>
Fund Balances:	
Assigned To:	
Equipment Reserve	1,176,903
Furniture Reserve	100,000
Facility Reserve	1,000,000
Unassigned	<u>1,252,317</u>
Total Fund Balances	<u>3,529,220</u>
 Amounts reported for governmental activities 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.	10,479,060
Deferred Outflows related to Pension	750,598
Deferred Outflows related to OPEB	47,771
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Net Pension Liability	(1,577,032)
Deferred Inflows related to OPEB	(776,152)
Net Other Post Employment Benefit Liability(Asset)	1,590,863
Compensated Absences	<u>(59,446)</u>
Net Position of Governmental Activities	<u>\$ 13,984,882</u>

PLYMOUTH DISTRICT LIBRARY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

		<u>General Fund</u>
<u>Revenues</u>		
Property Taxes	\$	3,579,697
State PPT Reimbursement		154,861
State Shared Revenues		31,792
Grants		17,000
Penal Fines		22,293
Book Fines		19,957
Donations-CFSEM		43,514
Insurance Claim Reimbursements		2,494
Interest		747
Other		41,743
Total Revenues		<u>3,914,098</u>
 <u>Expenditures</u>		
Current:		
Public Library		3,479,879
Capital Outlay		43,164
Total Expenditures		<u>3,523,043</u>
 Excess (Deficiency) of Revenues		
Over Expenditures		391,055
 Fund Balances – Beginning		
		<u>3,138,165</u>
 Fund Balances – Ending		
	\$	<u><u>3,529,220</u></u>

PLYMOUTH DISTRICT LIBRARY
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2021

Amounts reported for governmental activities in the statement of activities (page 10) are different because:

Net change in fund balances – total governmental funds (page 12) \$ 391,055

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

Depreciation Expense	\$	(490,782)	
Capital Outlay Expenditures		26,197	(464,585)

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 governmental funds:

Decrease in Net Pension Liability		291,660	
Decrease in Net Other Post Employment Benefits Liability		499,695	
Decrease in Accrued Sick and Vacation Pay Owed to Employees		57,630	

Change in net position in governmental activities (page 10) \$ 775,455

PLYMOUTH DISTRICT LIBRARY
Statement of Postemployment Healthcare Plan Net Position-VEBA Trust
December 31, 2021

ASSETS

Cash and Cash Equivalents	\$ 141,191
Investments, at Fair Value:	
Common Stock	2,203,572
Corporate Bonds	<u>618,854</u>
Total Assets	<u>2,963,617</u>

NET POSITION

Net Position:	
Held in Trust for Post-Employment Healthcare Benefits	\$ <u><u>2,963,617</u></u>

PLYMOUTH DISTRICT LIBRARY
Statement of Changes in Postemployment Healthcare Plan Net Position-VEBA Trust
For the Year Ended December 31, 2021

Additions:

Interest and Dividends	\$ 47,465
Unrealized Appreciation (Loss) on Securities	366,224
Employer Contributions	-
Total Additions	<u>413,689</u>

Deductions:

Benefits	22,304
Administrative Expenses	15,575
Total Deductions	<u>37,879</u>

Net Increase (Decrease) in Net Position held in Trust	375,810
Net Position – Beginning of Year	<u>2,587,807</u>
Net Position – End of Year	<u>\$ 2,963,617</u>

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The 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.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

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 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.

C. 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.

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. 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:

The General Fund 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 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-accounts for the activities of the employee benefit plan that accumulates resources for certain post employment 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, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
– Continued

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.

D. Assets, Liabilities and Net Position

1. 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. State statutes authorize the Library to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks.

2. 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- at December 31, 2021.

3. 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 "thresholds" established by the Library's Fixed Asset Policy. During the fiscal year, none of the books and materials purchased exceeded individual per book capitalization threshold (\$500), thus the total costs expended in 2021 were not capitalized.

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

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Position – Continued

3. Capital Assets – Continued

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	15-30
Furniture and Equipment	3-20
Library Collection Materials	10

4. Compensated Absences

The District Library Board amended the employee manual during 2002 to allow full and part time employees to accumulate specific amounts of vacation time, under terms and conditions set by the policy manual. In accordance with Governmental Accounting Standards Board Statement No. 16, accumulated unpaid vacation, sick pay and other employee benefit 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.

5. 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.

6. Fund Balance Classifications and Procedures

In accordance with generally accepted accounting procedures (GASB Statement No. 54), the Library has classified its equity in the general fund as follows:

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Position – Continued

6. Fund Balance Classifications and Procedures – Continued

- Committed Fund Balances are those formal allocations requiring resolution of the District Library Board. Expenditures are first applied to amounts “committed” then to other fund balance allocations.
- Assigned Fund Balances are developed by management of the Library, generally with review and approval of the District Library Board. Expenditures are first applied to amounts “assigned” then to “unassigned” fund balance.

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. 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.

The Library follows these 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.

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2021

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

A. Budgetary Information – Continued

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 2021, budget amendments were made and are reflected in the financial statements.

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

The Library has no funds with accumulated fund balance deficits.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

During the year ended December 31, 2021, the Library had no expenditures in excess of the amounts appropriated.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law the Library is permitted to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Library is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Voluntary Employee Benefits 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

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2021

III. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

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, 2021, the Library's book balance of its deposits was \$4,087,255. The bank balance was \$4,174,473 which was exposed to custodial credit risk, as follows:

	<u>Bank</u> <u>Balance</u>
Insured by F.D.I.C	\$1,358,708
Uninsured and Uncollateralized	<u>2,815,765</u>
Total	<u>\$4,174,473</u>

A reconciliation of cash to the accompanying financial statement follows:

Statement of Net Position:	
Cash and Cash Equivalents	\$3,946,064
Fiduciary Fund:	
Cash	<u>141,191</u>
Total	<u>\$4,087,255</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 investment 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 investments are as follows:

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2021

III. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

VEBA Investments:

	Fair Value	Weighted Average Maturity
Fixed Income:		
Vanguard Total Bond Market Index Admiral Fund	\$ 377,271	8.7 Years
Vanguard Intermediate-Term Corporate Fund Admiral Shares	\$ 241,583	7.4 Years

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 Organization
VEBA Investments:			
Fixed Income:			
Vanguard Total Bond Market Index Fund 68.4% AAA 31.6% AA or below	\$ 377,271	See Below	S&P
Vanguard Intermediate-Term Investment-Grade Mutual Fund 45.2% A or above 54.8% BBB or below	\$ 241,583	See Below	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 percent of its investments in the following:

VEBA Investments:

Vanguard 500 Index Admiral Fund	52.61%
Vanguard Total Bond Market Index Admiral Fund	13.37%

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2021

III. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

Vanguard Developed Markets Foreign Mutual Fund	12.66%
Vanguard Intermediate Term Corporate Admiral Bond Fund	8.56%
Vanguard Small Cap Index Admiral Mutual Fund	7.92%

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>
VEBA Investments:		
Fixed Income Mutual Funds	\$ 618,854	Counterparty
Common Stock Mutual Funds	\$2,203,572	Counterparty

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

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

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2021

III. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

Level 2: Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in inactive markets

Inputs other than quoted prices that is observable for the assets or liabilities;

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

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

All of the Library's investments are considered to be Level 1 inputs.

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2021

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended December 31, 2021 was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, not depreciated:				
Land	\$ 765,210	\$ -	\$ -	\$ 765,210
Capital Assets, being depreciated:				
Building and Improvements	15,068,736	26,197	-	15,094,933
Equipment	1,363,452	-	-	1,363,452
Furniture and Fixtures	1,923,439	-	-	1,923,439
	<u>18,355,627</u>	<u>26,197</u>	<u>-</u>	<u>18,381,824</u>
Less: Accumulated Depreciation:				
Building and Improvements	5,158,733	363,108	-	5,521,841
Equipment	1,176,903	113,038	-	1,289,941
Furniture and Fixtures	1,841,556	14,636	-	1,856,192
	<u>8,177,192</u>	<u>490,782</u>	<u>-</u>	<u>8,667,974</u>
Governmental Activities Capital Assets, net	<u>\$ 10,943,645</u>	<u>\$ (464,585)</u>	<u>\$ -</u>	<u>\$ 10,479,060</u>

Depreciation expense was charged on the Statement of Activities as follows:

Public Library	\$ <u>490,782</u>
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PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2021

III. DETAILED NOTES ON ALL FUNDS – Continued

C. Long-Term Debt

The following is a summary of long-term debt transactions of the Library for the year ended December 31, 2021:

	Balance January 1, 2021	Additions	Reductions	Balance December 31, 2021
Governmental Activities:				
Compensated Absences	\$ 117,076	-	\$ 57,630	\$ 59,446

D. 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 2021 tax roll is as follows:

<u>Type</u>	<u>Source of Authorization</u>	<u>Original Authorization</u>	<u>Maximum Authorization After "Roll Back"</u>	<u>Amount Levied</u>
Operating	Vote: 11-85	.8000	.6294	.6294
Operating	Vote: 11-87	.4000	.3259	.3259
Operating	Vote: 11-94	.5000	.4811	.4811
	Total			<u>1.4364</u>

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2021

IV. OTHER INFORMATION

A. Employee Retirement Systems and Plans

1. Municipal Employees Retirement System Defined Benefit Plan

a. 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 writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917.

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2021

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

1. Municipal Employees Retirement System Defined Benefit Plan – Continued

a. Plan Description-continued

Benefit Provisions-

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

b. Employees Covered by Benefit Terms

At the December 31, 2021 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently Receiving benefits	12
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	<u>14</u>
Total employees covered by MERS	<u><u>27</u></u>

c. 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.

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2021

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

1. Municipal Employees Retirement System Defined Benefit Plan – Continued

c. Contributions – Continued

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 2020 was 21.46%, total contributions were \$191,925. 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.

d. Net Pension Liability

The net pension liability reported at December 31, 2021 was determined using a measurement of the total pension liability and the pension net position as of December 31, 2021, using an actuarial valuation performed as of December 31, 2020.

Changes in the net pension liability during the measurement year were as follows:

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balance at January 1, 2021	\$ 5,283,924	\$ 3,971,634	\$ 1,312,290
Service Cost	104,921	-	104,921
Interest	412,418	-	412,418
Contributions-Employer	-	199,138	(199,138)
Contributions-Employee	-	-	-
Net Investment Income	-	550,802	(550,802)
Changes in Assumptions	405,366	-	405,366
Changes in Experience	85,658	-	85,658
Benefit Payments, including refunds	(377,776)	(377,776)	-
Administrative Expenses	-	(6,319)	6,319
Net Changes	<u>630,587</u>	<u>365,845</u>	<u>264,742</u>
Balance at December 31, 2021	<u>\$ 5,914,511</u>	<u>\$ 4,337,479</u>	<u>\$ 1,577,032</u>

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2021

IV. OTHER INFORMATION – Continued

A. Defined Benefit Pension Plan – M.E.R.S. – Continued

1. Municipal Employees Retirement System Defined Benefit Plan – Continued

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

At December 31, 2021 the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 295,018
Net difference related to changes in experience	84,774
Net difference related to changes in assumptions	370,806
Total	\$ <u><u>750,598</u></u>

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

Years Ending December 31	Amount
2022	\$ 179,209
2023	312,682
2024	207,510
2025	51,197

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2021

IV. OTHER INFORMATION – Continued

A. Defined Benefit Pension Plan – M.E.R.S. – Continued

1. Municipal Employees Retirement System Defined Benefit Plan – Continued

f. Actuarial Assumptions

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

Inflation	2.5%
Salary increases	3.00%
Investment rate of return	7.35%

Mortality rates were based on the RP - 2014 Healthy Annuitant Mortality Tables of a 50 percent male and 50 percent female blend with rates multiplied by 105%. For disabled retirees, the mortality table used to project the mortality experience of disabled plan members is a 50% Male – 50% Female blend of the RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of the most recent actuarial experience study in 2015.

g. Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. 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.

h. 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.

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2021

IV. OTHER INFORMATION – Continued

A. Defined Benefit Pension Plan – M.E.R.S. – Continued

1. Municipal Employees Retirement System Defined Benefit Plan – Continued

h. Projected Cash Flows – Continued

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, 2020, 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	60.0%	6.15%
Global Fixed Income	20.0%	1.26%
Private Investments	20.0%	6.56%

i. 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 7.60 percent, 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 (6.60 percent) or one percentage point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
Net Pension Liability	\$ <u>2,228,227</u>	\$ <u>1,577,032</u>	\$ <u>1,026,738</u>

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2021

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

2. Voluntary Employees Beneficiary Association (VEBA)

The Plymouth District Library Voluntary Employees Beneficiary Association (VEBA; the “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 plans. 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	<u>15</u>
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 that participants become Medicare eligible, the benefits under the Plan change to Medicare Supplemental coverage.

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.

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2021

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

2. Voluntary Employees Beneficiary Association (VEBA)

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:

<u>Changes in Net OPEB Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Net Position</u>	<u>Net OPEB Liability (Asset)</u>
Balance at January 1, 2021	\$ 1,464,818	\$ 2,587,807	\$ (1,122,989)
Service Cost	53,832	-	53,832
Interest	102,602	-	102,602
Experience (Gains)/Losses	(140,832)	-	(140,832)
Change in Actuarial Assumptions	(27,209)	-	(27,209)
Contribution to OPEB trust	-	58,153	(58,153)
Net Investment Income (loss)	-	413,689	(413,689)
Benefit Payments, including refunds	(80,457)	(80,457)	-
Administrative Expenses	-	(15,575)	15,575
Net Changes	<u>(92,064)</u>	<u>375,810</u>	<u>(467,874)</u>
Balance at December 31, 2021	<u>\$ 1,372,754</u>	<u>\$ 2,963,617</u>	<u>\$ (1,590,863)</u>

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2021

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

2. Voluntary Employees Beneficiary Association (VEBA)

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

At December 31, 2021, 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	\$ -	\$ 367,482
Net difference related to changes in experience	20,735	237,392
Net difference related to changes in assumptions	27,036	171,278
Total	<u>\$ 47,771</u>	<u>\$ 776,152</u>

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

Years Ending December 31	Amount
2022	\$ (248,830)
2023	(232,377)
2024	(125,020)
2025	(70,323)
2026	(23,242)
Thereafter	(28,589)

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

The following presents the net OPEB liability of the Library, calculated using the discount rate of 7.04 percent, 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 (6.04%)	Current Discount Rate (7.04%)	1% Increase (8.04%)
Net OPEB Liability	\$ <u>(1,405,480)</u>	\$ <u>(1,590,863)</u>	\$ <u>(1,743,402)</u>

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2021

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

2. Voluntary Employees Beneficiary Association (VEBA)

The following presents the net OPEB liability of the Library, 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
Net OPEB Liability	\$ <u>(1,759,960)</u>	\$ <u>(1,590,863)</u>	\$ <u>(1,381,392)</u>

B. Tax Abatements

The Charter Township of Plymouth granted Industrial Facilities Tax exemptions (P.A. 198 of 1974) to properties within the Township. Industrial Facility Exemptions are intended to promote construction of new industrial facilities or to rehabilitate facilities. Under the industrial facility exemption program, the Library's millage is reduced by 50 percent on that parcel. As of December 31, 2021, the Library's property tax revenue was reduced by \$24,657 under this tax abatement program.

C. Restatement

The Library rolled forward its measurement date for the VEBA actuarial liability calculations from being one year behind the fiscal year end date, to now corresponding with the fiscal year end date. Therefore, the VEBA net OPEB liability calculation reported in the financial statements is as of December 31, 2021. The opening net position has been restated to reflect this change as follows:

Net Position at December 31, 2020, previously reported	\$ 12,984,188
Change in Net OPEB Liability at Dec. 31, 2020	225,239
Net Position at December 31, 2020, as restated	<u>\$ 13,209,427</u>

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2021

IV. OTHER INFORMATION – Continued

D. 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.

REQUIRED SUPPLEMENTARY INFORMATION

PLYMOUTH DISTRICT LIBRARY
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Revenues:				
Property Taxes	\$ 3,490,900	\$ 3,490,900	\$ 3,579,697	\$ 88,797
State PPT Reimbursement	-	-	154,861	154,861
State Shared Revenues	31,500	31,500	31,792	292
Grants	51,000	51,000	17,000	(34,000)
Penal Fines	25,000	25,000	22,293	(2,707)
Book Fines	45,000	45,000	19,957	(25,043)
Donations	55,000	55,000	13,674	(41,326)
Donations-CFSEM	39,000	39,000	43,514	4,514
Insurance Claim Reimbursements	-	-	2,494	2,494
Interest	13,000	13,000	747	(12,253)
Other	22,000	22,000	28,069	6,069
Total Revenues	<u>3,772,400</u>	<u>3,772,400</u>	<u>3,914,098</u>	<u>141,698</u>
Expenditures:				
Salaries	1,869,485	1,788,385	1,711,294	77,091
Payroll Taxes and Fringe Benefits	640,660	573,660	522,251	51,409
Books and Supplies	459,450	459,450	428,030	31,420
Contractual Services	372,630	400,230	391,236	8,994
Telephone and Utilities	186,000	186,000	183,058	2,942
Insurance	57,000	57,000	54,192	2,808
Repairs and Maintenance	74,900	154,700	130,936	23,764
Capital Outlay	95,200	135,900	43,164	92,736
Other	85,725	85,725	58,882	26,843
Total Expenditures	<u>3,841,050</u>	<u>3,841,050</u>	<u>3,523,043</u>	<u>318,007</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (68,650)</u>	<u>\$ (68,650)</u>	391,055	<u>\$ 459,705</u>
Fund Balance – January 1			<u>3,138,165</u>	
Fund Balance – December 31			<u>\$ 3,529,220</u>	

PLYMOUTH DISTRICT LIBRARY
Required Supplemental Information
Schedule of Changes in the Net Pension Liability and Related Ratios
MERS Defined Benefit Plan

Last Ten Fiscal Years (schedule is built prospectively upon implementation of GASB 68)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability:							
Service Cost	\$ 104,921	\$ 106,073	\$ 94,263	\$ 95,461	\$ 103,754	\$ 87,225	\$ 85,181
Interest	412,418	379,351	381,705	352,390	318,554	298,067	296,777
Other Changes	-	-	-	-	-	15,055	4,492
Changes in Assumptions	405,366	133,564	-	-	-	239,342	-
Changes in Experience	85,658	136,432	-	92,664	115,236	57,284	-
Benefit payments, including refunds	(377,776)	(346,897)	(339,602)	(317,251)	(270,055)	(261,838)	(256,013)
Net Change in Total Pension Liability	630,587	408,523	136,366	223,264	267,489	435,135	130,437
Total Pension Liability, Beginning of year	5,283,924	4,875,401	4,739,035	4,515,771	4,248,282	3,813,147	3,682,710
Total Pension Liability, End of year	<u>\$ 5,914,511</u>	<u>\$ 5,283,924</u>	<u>\$ 4,875,401</u>	<u>\$ 4,739,035</u>	<u>\$ 4,515,771</u>	<u>\$ 4,248,282</u>	<u>\$ 3,813,147</u>
Plan Fiduciary Net Position:							
Contributions - Employer	\$ 199,138	\$ 191,925	\$ 190,014	\$ 154,875	\$ 174,414	\$ 124,389	\$ 104,786
Contributions - Employee	-	-	-	-	-	-	-
Net Investment Income	550,802	455,563	452,712	(140,294)	438,524	353,258	(49,059)
Administrative Expenses	(6,319)	(7,300)	(7,797)	(7,065)	(6,950)	(6,977)	(7,246)
Benefit payments, including refunds	(377,776)	(346,897)	(339,602)	(317,251)	(270,055)	(261,838)	(256,013)
Net Change in Plan Fiduciary Net Position	365,845	293,291	295,327	(309,735)	335,933	208,832	(207,532)
Plan Fiduciary Net Position, Beg. of year	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, End of year	<u>\$ 4,337,479</u>	<u>\$ 3,971,634</u>	<u>\$ 3,678,343</u>	<u>\$ 3,383,016</u>	<u>\$ 3,692,751</u>	<u>\$ 3,356,818</u>	<u>\$ 3,147,986</u>
Library's Net Pension Liability - Ending	<u>\$ 1,577,032</u>	<u>\$ 1,312,290</u>	<u>\$ 1,197,058</u>	<u>\$ 1,356,019</u>	<u>\$ 823,020</u>	<u>\$ 891,464</u>	<u>\$ 665,161</u>
Plan Fiduciary Net Position as a Percent of Total Pension Liability	73.3%	75.2%	75.4%	71.4%	81.8%	79.0%	82.5%
Covered Employee Payroll	\$ 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	176.3%	140.4%	145.6%	163.0%	90.1%	106.6%	79.5%

PLYMOUTH DISTRICT LIBRARY
Required Supplemental Information
Schedule of Library Pension Contributions-MERS
Last Ten Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 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	219,798	191,925	185,912	154,875	174,414	124,389	104,786	76,827	59,159	55,659
Contributions Additional (Deficiency)	\$ -	\$ -	\$ -	\$ -	\$ 38,000	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 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	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 at 2.5%
Investment Rate of Return	7.35%

PLYMOUTH DISTRICT LIBRARY
Required Supplemental Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
Last Ten Fiscal Years (schedule is built prospectively upon implementation of GASB 75)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:				
Service Cost	\$ 53,832	\$ 75,405	\$ 94,042	\$ 97,344
Interest	102,602	103,600	92,131	85,860
Experience (Gains)/Losses	(140,832)	(257,855)	(11,433)	(13,595)
Change in Benefit Terms	-	-	-	(148,180)
Change in Actuarial Assumptions	(27,209)	(194,336)	(438,433)	133,476
Benefit Payments	(80,457)	(40,593)	(24,539)	(19,003)
Net Change in Total Pension Liability	<u>(92,064)</u>	<u>(313,779)</u>	<u>(288,232)</u>	<u>135,902</u>
Total OPEB Liability, Beginning of year	<u>1,464,818</u>	<u>1,677,340</u>	<u>1,965,572</u>	<u>1,829,670</u>
Total OPEB Liability, End of year	<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	\$ -	\$ 117,100	\$ 118,216	\$ 38,000
Net Investment Income	413,689	400,655	(91,637)	245,450
Benefit payments, including refunds	(22,304)	(40,593)	(24,539)	(19,003)
Administrative Expenses	(15,575)	(12,815)	(11,321)	(11,207)
Net Change in Plan Fiduciary Net Position	<u>375,810</u>	<u>464,347</u>	<u>(9,281)</u>	<u>253,240</u>
Plan Fiduciary Net Position, Beginning of year	<u>2,587,807</u>	<u>1,796,964</u>	<u>1,806,245</u>	<u>1,553,005</u>
Plan Fiduciary Net Position, End of year	<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>\$ (1,590,863)</u>	<u>\$ (897,750)</u>	<u>\$ (119,624)</u>	<u>\$ 159,327</u>
Plan Fiduciary Net Position as a Percent of Total OPEB Liability	215.9%	165.8%	107.1%	91.9%
Covered Employee Payroll	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

PLYMOUTH DISTRICT LIBRARY
Required Supplemental Information
Schedule of Library OPEB Contributions
Last Ten Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
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
Contribution Excess (Deficiency)	<u>\$ -</u>									
Covered Employee Payroll	n/a									
Contributions as a Percentage of Covered Employee Payroll	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	2.0%
Investment Rate of Return	5.98%
Healthcare cost trend rates	8.0 percent, gradually decreasing to 5.0% over 6 years
Retirement Age	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	RP-2000 Tables with Scale AA.