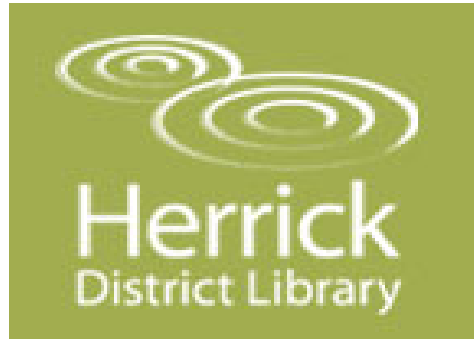


Herrick District  
Library



Year Ended  
June 30, 2021

Financial  
Statements

**Rehmann**



# HERRICK DISTRICT LIBRARY

## Table of Contents

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Management's Discussion and Analysis</b>	5
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	18
Reconciliation of Fund Balances for Governmental Funds to Net Position of Governmental Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	20
Reconciliation of Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	22
Statement of Net Position – Proprietary Funds	23
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	24
Statement of Cash Flows – Proprietary Funds	25
Notes to Financial Statements	26
<b>Required Supplementary Information</b>	
MERS Agent Multiple-Employer Defined Benefit Pension Plan:	
Schedule of Changes in the Library's Net Pension Liability and Related Ratios	44
Schedule of Contributions	46
<b>Internal Control and Compliance</b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49

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## INDEPENDENT AUDITORS' REPORT

October 14, 2021

Board of Trustees  
Herrick District Library  
Holland, Michigan

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Herrick District Library** (the "Library"), as of and for the year ended June 30, 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.

### *Independent Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Rehmann is an independent member of Nexia International.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Library as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules for the pension plan, as listed 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2021 on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

*Rehmann Lobson LLC*

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# HERRICK DISTRICT LIBRARY

## Management's Discussion and Analysis

As management of Herrick District Library (the "Library"), we offer readers of the Library financial statements this narrative review and analysis of the financial activities for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Financial Highlights

- The Library's total net position increased by \$457,845. Of this amount, \$457,488 was attributable to governmental activities and the remaining \$357 increase is related to business-type activities.
- Total revenues decreased from the prior year from \$6,877,297 to \$6,868,810. Expenses increased from \$5,612,514 to \$6,410,965.
- As of the close of the current fiscal year, the Library's governmental funds reported combined ending fund balances of \$10,005,427, a decrease of \$891,321 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance of the General Fund was \$7,286,116 or 139% of total General Fund expenditures.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Library's basic financial statements. The 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 the Library's finances, in a manner similar to a private-sector business.

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

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

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Library can be divided into two categories: governmental funds and proprietary funds.

## HERRICK DISTRICT LIBRARY

### Management's Discussion and Analysis

**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.

The Library maintains four governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Endowment Permanent Fund, North Side Branch Expansion Capital Project Fund, each of which are major funds for financial reporting purposes as defined by GASB Statement #34, and the nonmajor LSTA Collaborative Grant special revenue fund.

The Library adopts an annual appropriated budget for the General Fund and special revenue fund. A budgetary comparison statement has been provided herein to demonstrate compliance with the major fund - the General Fund - budget.

**Proprietary Funds.** The Library maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Library uses an enterprise fund to account for the Employee Vending Fund. An internal service fund is used to accumulate resources to fund the Library's compensated absence liability. Because this service predominately benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Library's internal service fund is presented in the proprietary fund financial statements in the Governmental Activities - Internal Service Fund column.

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

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis and the schedules for the MERS pension plan immediately following the notes to the financial statements.

## HERRICK DISTRICT LIBRARY

### Management's Discussion and Analysis

#### Government-wide Financial Analysis

As previously stated, net position may serve over time as a useful indicator of a government's financial position. In the case of the Library, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$15,710,890 at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 10,564,747	\$ 11,930,521	\$ 1,550	\$ 1,193	\$ 10,566,297	\$ 11,931,714
Capital assets, net	7,671,277	6,187,736	-	-	7,671,277	6,187,736
<b>Total assets</b>	<b>18,236,024</b>	<b>18,118,257</b>	<b>1,550</b>	<b>1,193</b>	<b>18,237,574</b>	<b>18,119,450</b>
<b>Deferred outflows of resources</b>	<b>334,459</b>	<b>245,649</b>	<b>-</b>	<b>-</b>	<b>334,459</b>	<b>245,649</b>
Long-term debt	207,445	233,278	-	-	207,445	233,278
Other liabilities	2,357,462	2,878,776	-	-	2,357,462	2,878,776
<b>Total liabilities</b>	<b>2,564,907</b>	<b>3,112,054</b>	<b>-</b>	<b>-</b>	<b>2,564,907</b>	<b>3,112,054</b>
<b>Deferred inflows of resources</b>	<b>296,236</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>296,236</b>	<b>-</b>
Net position:						
Investment in capital assets	7,671,277	6,187,736	-	-	7,671,277	6,187,736
Restricted	2,718,033	2,679,548	-	-	2,718,033	2,679,548
Unrestricted	5,320,030	6,384,568	1,550	1,193	5,321,580	6,385,761
<b>Total net position</b>	<b>\$ 15,709,340</b>	<b>\$ 15,251,852</b>	<b>\$ 1,550</b>	<b>\$ 1,193</b>	<b>\$ 15,710,890</b>	<b>\$ 15,253,045</b>

A substantial portion of the Library's net position, \$7,621,277 (48.83%), reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less related depreciation. The Library uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the Library's net position of \$2,718,033 (17.30%) represents resources that are subject to external restrictions on how they may be used. Of this amount \$1,269,188 is considered nonexpendable because it is, by donor intent, restricted to use as corpus for a permanent endowment fund. The Library may use the remaining balance of unrestricted net position of \$5,321,580 (33.87%) to meet its ongoing obligations to citizens and creditors.

## HERRICK DISTRICT LIBRARY

### Management's Discussion and Analysis

At the end of the current fiscal year, the Library is able to report positive balances in all three categories of net position, both for the government as a whole, and for its separate governmental and business-type activities.

There was an increase of \$38,485 in restricted net position reported in connection with the Library's governmental activities due to donor contributions and investment earnings. The Library's unrestricted net position decreased \$1,064,181. This change was primarily the result of the North Side Branch Expansion project.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program revenues:						
Charges for services	\$ 163,620	\$ 171,328	\$ -	\$ -	\$ 163,620	\$ 171,328
Operating grants and contributions	576,938	808,509	-	-	576,938	808,509
General revenues:						
Property taxes	6,128,252	5,897,460	-	-	6,128,252	5,897,460
<b>Total revenues</b>	<b>6,868,810</b>	<b>6,877,297</b>	<b>-</b>	<b>-</b>	<b>6,868,810</b>	<b>6,877,297</b>
Expenses:						
Library services	6,410,922	5,612,049	-	-	6,410,922	5,612,049
Interest on long-term debt	-	21	-	-	-	21
Employee vending	-	-	43	444	43	444
<b>Total expenses</b>	<b>6,410,922</b>	<b>5,612,070</b>	<b>43</b>	<b>444</b>	<b>6,410,965</b>	<b>5,612,514</b>
Change in net position, before transfers	457,888	1,265,227	(43)	(444)	457,845	1,264,783
Transfers	(400)	(400)	400	400	-	-
<b>Change in net position</b>	<b>457,488</b>	<b>1,264,827</b>	<b>357</b>	<b>(44)</b>	<b>457,845</b>	<b>1,264,783</b>
Net position:						
Beginning of year	15,251,852	13,987,025	1,193	1,237	15,253,045	13,988,262
<b>End of year</b>	<b>\$ 15,709,340</b>	<b>\$ 15,251,852</b>	<b>\$ 1,550</b>	<b>\$ 1,193</b>	<b>\$ 15,710,890</b>	<b>\$ 15,253,045</b>

The Library's net position increased by \$457,845 during the current fiscal year. As compared to the prior year increase of \$1,264,783, this change was primarily the result of increased property tax revenues.

### Financial Analysis of the Library's Funds

The Library's General Fund had a current year decrease in fund balance of \$182,601 and total fund balance of \$7,287,394 at year-end. The decrease from the prior year is primarily attributable to a transfer to fund the North Side Branch Expansion project.

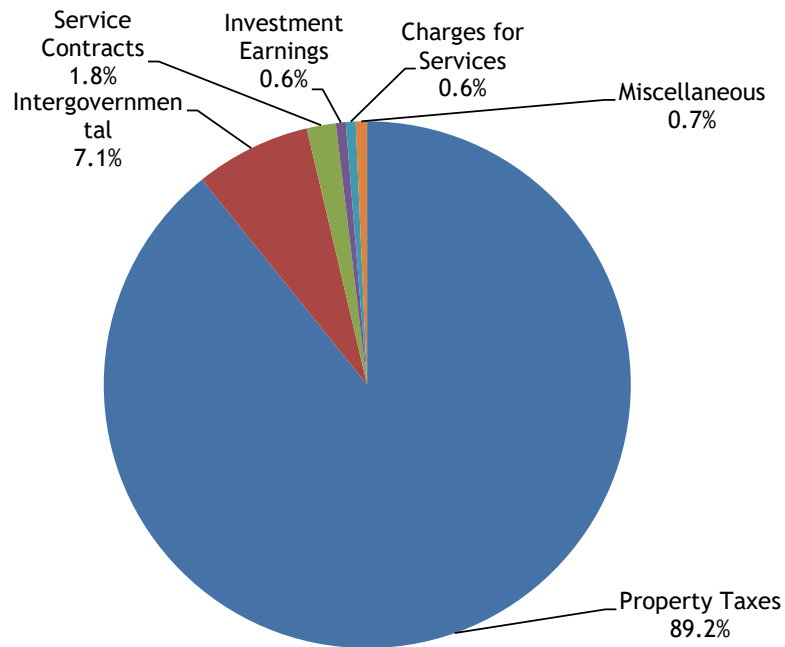
## HERRICK DISTRICT LIBRARY

### Management's Discussion and Analysis

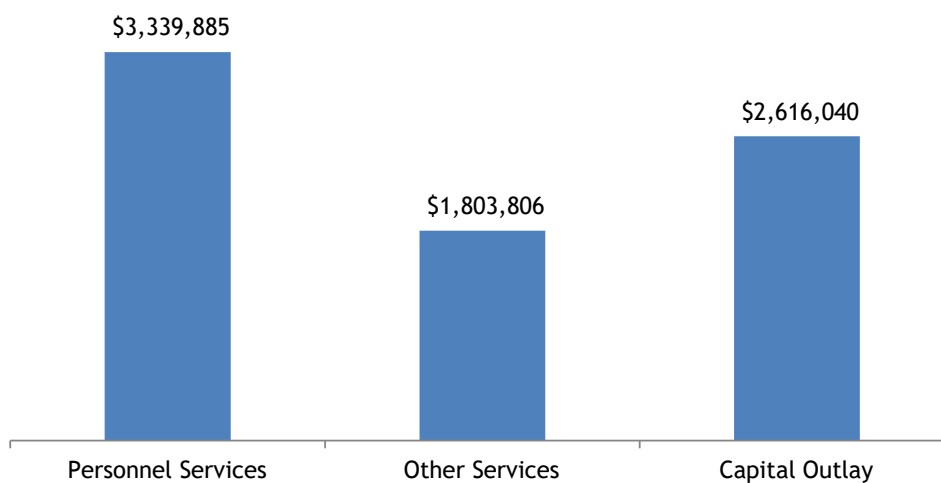
The Library's Endowment Permanent Fund had a current year increase in fund balance of \$38,485, and total fund balance of \$2,718,033 at year-end.

The Library's North Side Branch Expansion Fund had a current year decrease of the entire amount of the prior year's fund balance (\$747,205), bringing the total fund balance to \$0 at year end. This was a result of the completion of North Side Branch construction in the current year.

**Revenues by Source - Governmental Funds**



**Expenditures by Type - Governmental Funds**



## HERRICK DISTRICT LIBRARY

### Management's Discussion and Analysis

#### General Fund Budgetary Highlights

This year the Library received larger than expected revenues from Federal and State aid. Investment income was positive with interest rates higher at the beginning of the fiscal year then steadily declining. Penal fines for Allegan County and Ottawa County increased \$8,619 from last year and contributions from local government (Fillmore Township, Health Township, Manlius Township and Port Sheldon Township) came in higher than expected as property values increased. Fine revenue came in lower than budgeted due to the library fines on all materials being eliminated through the duration of the COVID pandemic and shutdown.

The budget of \$6,360,669 includes an extra contribution of \$145,568 to the MERS defined benefit retirement plan, a new canopy over the employee entrance and caulking repairs at the Main Branch. A one time \$1,732,035 transfer was made to fund the North Side Branch Expansion project.

#### Capital Assets

	<b>Capital Assets (Net of Depreciation)</b>	
	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
Land	\$ 617,975	\$ 617,975
Construction in progress	-	994,207
Buildings	6,148,235	3,723,594
Improvements other than buildings	26,100	19,230
Equipment and machinery	275,795	281,067
Library collection	461,801	467,488
Office equipment and furniture	141,371	84,175
<b>Total capital assets, net</b>	<b>\$ 7,671,277</b>	<b>\$ 6,187,736</b>

During the year, the Library finished construction on the North Side Branch expansion. Additional information on the Library's capital assets can be found in Note 5 to the financial statements.

#### Long-term Debt

	<b>Long-term Debt</b>	
	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
Compensated absences	\$ 207,445	\$ 233,278

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

## **HERRICK DISTRICT LIBRARY**

### **Management's Discussion and Analysis**

#### **Economic Factors and Next Year's Budget and Rates**

Property taxes account for 90.3% of the library's General Fund revenues. Property values continue to rise in the Holland area, and the levy for FY 20/21 was 1.446 mills. For FY 21/22 the tax levy will be 1.429 mills.

During this past fiscal year and continuing to this fiscal year, there is uncertainty due to the Coronavirus. There has been a significant disruption in the resource supply chain, and wages have seen some inflationary pressure due to a shortage of workers. The Library has a conservative and fiscally responsible budget to support the Library's programs, activities and resources in our mission to empower the community to connect, discover and create.

#### **Requests for Information**

This financial report is designed to provide a general overview of the Library's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director, Herrick District Library, 300 South River Avenue, Holland, Michigan 49423.



## **BASIC FINANCIAL STATEMENTS**

# HERRICK DISTRICT LIBRARY

## Statement of Net Position

June 30, 2021

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 10,246,130	\$ 1,550	\$ 10,247,680
Receivables, net	317,339	-	317,339
Prepays	1,278	-	1,278
Capital assets:			
Not being depreciated	617,975	-	617,975
Being depreciated, net	7,053,302	-	7,053,302
<b>Total assets</b>	<b>18,236,024</b>	<b>1,550</b>	<b>18,237,574</b>
<b>Deferred outflows of resources</b>			
Deferred pension amounts	334,459	-	334,459
<b>Liabilities</b>			
Payables	351,875	-	351,875
Long-term debt:			
Due within one year	103,722	-	103,722
Due in more than one year	103,723	-	103,723
Net pension liability (due in more than one year)	2,005,587	-	2,005,587
<b>Total liabilities</b>	<b>2,564,907</b>	<b>-</b>	<b>2,564,907</b>
<b>Deferred inflows of resources</b>			
Deferred pension amounts	296,236	-	296,236
<b>Net position</b>			
Investment in capital assets	7,671,277	-	7,671,277
Restricted for endowment:			
Nonexpendable (corpus)	1,269,188	-	1,269,188
Expendable	1,448,845	-	1,448,845
Unrestricted	5,320,030	1,550	5,321,580
<b>Total net position</b>	<b>\$ 15,709,340</b>	<b>\$ 1,550</b>	<b>\$ 15,710,890</b>

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

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## HERRICK DISTRICT LIBRARY

### Statement of Activities

For the Year Ended June 30, 2021

Functions / Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Governmental activities</b>			
Library services	\$ 6,410,922	\$ 163,620	\$ 576,938
<b>Business-type activities</b>			
Employee vending	43	-	-
<b>Total primary government</b>	<u>\$ 6,410,965</u>	<u>\$ 163,620</u>	<u>\$ 576,938</u>
<b>General revenues and transfers</b>			
Property taxes			
Transfers - internal activities			
<b>Total general revenues and transfers</b>			
<b>Change in net position</b>			
Net position, beginning of year			
<b>Net position, ending of year</b>			

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

--

Net (Expenses) Revenues and Changes In Net Position		
--	--	--

Governmental Activities	Business-type Activities	Total
----------------------------	-----------------------------	-------

\$ (5,670,364)	\$ -	\$ (5,670,364)
----------------	------	----------------

-	(43)	(43)
---	------	------

(5,670,364)	(43)	(5,670,407)
-------------	------	-------------

6,128,252	-	6,128,252
(400)	400	-

6,127,852	400	6,128,252
-----------	-----	-----------

457,488	357	457,845
---------	-----	---------

15,251,852	1,193	15,253,045
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\$ 15,709,340	\$ 1,550	\$ 15,710,890
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## HERRICK DISTRICT LIBRARY

### Balance Sheet

Governmental Funds

June 30, 2021

				Nonmajor Fund	
	General	Endowment Permanent	North Side Branch Expansion	LSTA Collaborative Grant	Total
<b>Assets</b>					
Cash and pooled investments	\$ 7,321,092	\$ 2,718,073	\$ -	\$ -	\$ 10,039,165
Receivables:					
Accounts	272	-	-	-	272
Taxes	105	-	-	-	105
Interest	2,608	-	-	-	2,608
Due from other governmental units	305,946	-	-	8,408	314,354
Prepays	1,278	-	-	-	1,278
<b>Total assets</b>	<u>\$ 7,631,301</u>	<u>\$ 2,718,073</u>	<u>\$ -</u>	<u>\$ 8,408</u>	<u>\$ 10,357,782</u>
<b>Liabilities</b>					
Negative equity in cash and pooled investments	\$ -	\$ -	\$ -	\$ 480	\$ 480
Accounts payable	265,259	40	-	7,928	273,227
Accrued payroll and benefits	78,648	-	-	-	78,648
<b>Total liabilities</b>	<u>343,907</u>	<u>40</u>	<u>-</u>	<u>8,408</u>	<u>352,355</u>
<b>Fund balances</b>					
Nonspendable:					
Prepaid	1,278	-	-	-	1,278
Endowment corpus	-	1,269,188	-	-	1,269,188
Restricted - endowment expendable	-	1,448,845	-	-	1,448,845
Unassigned	7,286,116	-	-	-	7,286,116
<b>Total fund balances</b>	<u>7,287,394</u>	<u>2,718,033</u>	<u>-</u>	<u>-</u>	<u>10,005,427</u>
<b>Total liabilities and fund balances</b>	<u>\$ 7,631,301</u>	<u>\$ 2,718,073</u>	<u>\$ -</u>	<u>\$ 8,408</u>	<u>\$ 10,357,782</u>

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

## HERRICK DISTRICT LIBRARY

### Reconciliation

Fund Balances for Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2021

<b>Fund balances - total governmental funds</b>	<b>\$ 10,005,427</b>
---	----------------------

Amounts reported for *governmental activities* in the statement of net position  
are different because:

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

Capital assets not being depreciated	617,975
Capital assets being depreciated	15,873,688
Accumulated depreciation	(8,820,386)

Certain pension-related amounts, such as the net pension liability and deferred amounts,  
are not due and payable in the current period or do not represent current financial  
resources, and therefore are not reported in the funds.

Net pension liability	(2,005,587)
Deferred outflows related to the net pension liability	334,459
Deferred inflows related to the net pension liability	<u>(296,236)</u>

<b>Net position of governmental activities</b>	<b><u>\$ 15,709,340</u></b>
--	-----------------------------

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

## HERRICK DISTRICT LIBRARY

### Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2021

				Nonmajor Fund	
	General	Endowment Permanent	North Side Branch Expansion	LSTA Collaborative Grant	Total
<b>Revenues</b>					
Property taxes	\$ 6,128,252	\$ -	\$ -	\$ -	\$ 6,128,252
Intergovernmental	450,900	-	-	33,717	484,617
Service contracts - townships	124,045	-	-	-	124,045
Charges for services, fines and fees	39,575	-	-	-	39,575
Investment earnings	29,976	9,921	-	-	39,897
Miscellaneous	17,354	35,070	-	-	52,424
<b>Total revenues</b>	<b>6,790,102</b>	<b>44,991</b>	<b>-</b>	<b>33,717</b>	<b>6,868,810</b>
<b>Expenditures</b>					
Current:					
Personnel services - operations	3,339,885	-	-	-	3,339,885
Other services and charges	1,763,583	6,506	-	33,717	1,803,806
Capital outlay	136,800	-	2,479,240	-	2,616,040
<b>Total expenditures</b>	<b>5,240,268</b>	<b>6,506</b>	<b>2,479,240</b>	<b>33,717</b>	<b>7,759,731</b>
Revenues over (under) expenditures	1,549,834	38,485	(2,479,240)	-	(890,921)
<b>Other financing sources (uses)</b>					
Transfers in	-	-	1,732,035	-	1,732,035
Transfers out	(1,732,435)	-	-	-	(1,732,435)
<b>Total other financing sources (uses)</b>	<b>(1,732,435)</b>	<b>-</b>	<b>1,732,035</b>	<b>-</b>	<b>(400)</b>
<b>Net changes in fund balances</b>	<b>(182,601)</b>	<b>38,485</b>	<b>(747,205)</b>	<b>-</b>	<b>(891,321)</b>
Fund balances, beginning of year	7,469,995	2,679,548	747,205	-	10,896,748
<b>Fund balances, end of year</b>	<b>\$ 7,287,394</b>	<b>\$ 2,718,033</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,005,427</b>

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



## HERRICK DISTRICT LIBRARY

### Reconciliation

Net Changes in Fund Balances of Governmental Funds  
to Change in Net Position of Governmental Activities  
For the Year Ended June 30, 2021

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ (891,321)</b>
--	---------------------

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlay as expenditures. However, in the  
statement of activities, the cost of these assets is allocated over their estimated  
useful lives and reported as depreciation expense.

Purchase of capital assets	2,450,762
Depreciation expense	(494,513)
Loss on disposal of capital assets	(472,708)

Some expenses reported in the statement of activities do not require the use of current  
financial resources and therefore are not reported as expenditures in the funds.

Change in the net pension liability and related deferred amounts	<u>(134,732)</u>
--	------------------

<b>Change in net position of governmental activities</b>	<b><u>\$ 457,488</u></b>
--	--------------------------

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

## HERRICK DISTRICT LIBRARY

### Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Property taxes	\$ 5,929,684	\$ 5,929,684	\$ 6,128,252	\$ 198,568
Intergovernmental	269,635	269,635	450,900	181,265
Service contracts - townships	97,000	97,000	124,045	27,045
Charges for services, fines and fees	19,750	19,750	39,575	19,825
Investment earnings	30,000	30,000	29,976	(24)
Miscellaneous	20,000	15,000	17,354	2,354
<b>Total revenues</b>	<u>6,366,069</u>	<u>6,361,069</u>	<u>6,790,102</u>	<u>429,033</u>
<b>Expenditures</b>				
Current:				
Personnel services - operations	3,939,276	3,939,276	3,339,885	(599,391)
Other services and charges	2,120,899	2,130,899	1,763,583	(367,316)
Capital outlay	255,000	240,000	136,800	(103,200)
Contingency	50,494	50,494	-	(50,494)
<b>Total expenditures</b>	<u>6,365,669</u>	<u>6,360,669</u>	<u>5,240,268</u>	<u>(1,120,401)</u>
Revenues over expenditures	400	400	1,549,834	1,549,434
<b>Other financing uses</b>				
Transfers out	(400)	(1,732,436)	(1,732,435)	(1)
<b>Net changes in fund balances</b>	-	(1,732,036)	(182,601)	1,549,435
Fund balances, beginning of year	<u>7,469,995</u>	<u>7,469,995</u>	<u>7,469,995</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 7,469,995</u>	<u>\$ 5,737,959</u>	<u>\$ 7,287,394</u>	<u>\$ 1,549,435</u>

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

## HERRICK DISTRICT LIBRARY

### Statement of Net Position

Proprietary Funds

June 30, 2021

	Business-type Activities	Governmental Activities
	Employee Vending Enterprise Fund	Compensated Absences Internal Service Fund
<b>Assets</b>		
Cash and pooled investments	\$ 1,550	\$ 207,445
<b>Liabilities</b>		
Current liabilities:		
Accrued compensated absences	-	103,722
Noncurrent liabilities:		
Accrued compensated absences, net of current portion	-	103,723
<b>Total liabilities</b>	-	207,445
<b>Net position</b>		
Unrestricted	\$ 1,550	\$ -

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

## HERRICK DISTRICT LIBRARY

### Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2021

	Business-type Activities	Governmental Activities
	Employee Vending Enterprise Fund	Compensated Absences Internal Service Fund
<b>Operating revenues</b>		
User fees and charges for services	\$ -	\$ 194,065
<b>Operating expenses</b>		
Operations	43	194,065
<b>Operating loss</b>	(43)	-
<b>Transfers</b>		
Transfers in	400	-
<b>Change in net position</b>	357	-
Net position, beginning of year	1,193	-
<b>Net position, end of year</b>	<u>\$ 1,550</u>	<u>\$ -</u>

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

## HERRICK DISTRICT LIBRARY

### Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2021

	Business-type Activities	Governmental Activities
	Employee Vending Enterprise Fund	Compensated Absences Internal Service Fund
<b>Cash flows from operating activities</b>		
Receipts for providing interfund services	\$ -	\$ 194,065
Receipts from customers	48	-
Payments to suppliers	(43)	-
Payments to employees	-	(219,898)
	<hr/>	<hr/>
<b>Net cash provided by (used in) operating activities</b>	5	(25,833)
<b>Cash flows from noncapital financing activities</b>		
Transfer in	400	-
	<hr/>	<hr/>
<b>Net increase (decrease) in cash and pooled investments</b>	405	(25,833)
Cash and pooled investments, beginning of year	1,145	233,278
	<hr/>	<hr/>
<b>Cash and pooled investments, end of year</b>	<u>\$ 1,550</u>	<u>\$ 207,445</u>
<b>Cash flows from operating activities</b>		
Operating loss	\$ (43)	\$ -
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	48	-
Compensated absences payable	-	(25,833)
	<hr/>	<hr/>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 5</u>	<u>\$ (25,833)</u>

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

# HERRICK DISTRICT LIBRARY

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Herrick District Library (the “Library”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

#### **Reporting Entity**

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Library. There are no component units to be included. Criteria for including a component unit include entities for which the Library is considered to be financially accountable.

#### ***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. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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*.

Major individual governmental funds and major individual enterprise 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*. 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.

## HERRICK DISTRICT LIBRARY

### Notes to Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Intergovernmental revenue, charges for services 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.

The Library reports the following major funds:

The *General Fund* is the Library's primary operating fund. It accounts for all the financial resources of the general government, except those accounted for and reported in another fund.

The *Endowment Permanent Fund* is used to record the activity and balance of endowments which are restricted for specific purposes.

The *North Side Branch Expansion Fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Additionally, the Library reports the following fund types:

The *Special Revenue Fund* is used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted or committed to expenditures for specified purposes.

The *Enterprise Fund* is used to account for the balances and activities of the various activities benefiting employees which is financed through user charges which support this service.

The *Internal Service Fund* accounts for the accumulation of both the liability and the resources to pay the compensated absences liability at year end.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges for services. Operating expenses for the enterprise fund include cafeteria expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

# HERRICK DISTRICT LIBRARY

## Notes to Financial Statements

### **Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity**

#### ***Budgets and Budgetary Accounting***

Comparisons to budget are presented for the General Fund as required by generally accepted accounting principles. The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Library Director submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund.
5. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Adoption and amendments of all budgets used by the Library are governed by Public Act 621, which was followed for the year ended June 30, 2021. Expenditures may not exceed appropriations. The appropriations resolutions are based on the projected expenditures. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the Board of Trustees.
7. Budgets for expenditures are adopted at the activity level.
8. Budgeted amounts are as originally adopted, or as amended by the Board of Trustees.

#### **Cash and Pooled Investments**

For purposes of the statement of cash flows, the Library considers all assets held in the cash and investment pool to be cash equivalents because the investments are not identifiable to specific funds and the assets can be withdrawn at anytime, similar to a demand deposit account.

State statutes authorize the Library to invest in:

Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.

Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.



## HERRICK DISTRICT LIBRARY

### Notes to Financial Statements

Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

Bankers' acceptances of United States banks.

Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.

Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

#### Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

#### Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. In addition, library material items such as books and certain media are capitalized as a collection although they may have an initial cost less than \$5,000. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition cost on the date received.

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

## HERRICK DISTRICT LIBRARY

### Notes to Financial Statements

Depreciation on capital assets of the Library is computed using the straight-line method over the following estimated useful lives:

	Years
Buildings	40
Improvements other than buildings	10-20
Equipment and machinery	7-10
Office equipment and furniture	5-7
Library collection	5

#### Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Library reports deferred outflows of resources related to its pension plan. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

#### Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

#### Deferred Inflows of Resources

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

# HERRICK DISTRICT LIBRARY

## Notes to Financial Statements

### Fund Equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Trustees. A formal resolution of the Board of Trustees is required to establish, modify, or rescind a fund balance commitment. The Library reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Library currently has no assigned fund balance, as the Board of Trustees has not yet given the authority for the making of such assignments. Unassigned fund balance is the residual classification for the General Fund.

When the Library incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

### Intergovernmental Revenue

Intergovernmental revenue includes contributions by the City of Holland, Holland Charter Township, Park Township and Laketown Township based on collection of a unified millage on property values. This revenue source also includes Library State Aid, personal property tax reimbursement, and fines collected by other governments.

### Accrued Compensated Absences

Under contracts negotiated with employee groups, individual employees have a vested right to receive payments for unused vacation benefits under formulas and conditions specified in the contracts.

Accrued vacation leave is recorded as an internal service fund liability at June 30, 2021.

### Interfund Transactions

During the course of normal operations, the Library has transactions between funds, including expenditures and transfers of resources to provide services and subsidies. The accompanying financial statements generally reflect such transactions as revenues and expenditures and transfers. The amounts recorded as subsidies, advances, or equity contributions are determined by the Library. Transfers for the year were \$400 from the General Fund to the Employee Vending Fund and \$1,732,035 from the General Fund to the North Side Branch Expansion Fund.

# HERRICK DISTRICT LIBRARY

## Notes to Financial Statements

### Pensions

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

### Use of Estimates

The preparation of financial statements requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2021, the Library carried commercial insurance to cover all risks of losses. The Library has had no settled claims resulting from these risks that exceeded their commercial coverage in the past three years.

## 2. DEPOSITS AND INVESTMENTS

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

	Governmental Activities	Business-type Activities	Total
Cash and pooled investments	<u>\$ 10,246,130</u>	<u>\$ 1,550</u>	<u>\$ 10,247,680</u>
Cash and pooled investments consist of the following:			
Checking/savings accounts			\$ 119,487
Certificates of deposit (due within one year)			5,092,196
Certificates of deposit (due within 1-5 years)			406,193
Investments - Michigan CLASS government investment pool			4,627,996
Petty cash			<u>1,808</u>
<b>Total</b>			<u><u>\$ 10,247,680</u></u>

Deposits and certificates of deposit are in multiple financial institutions located in Michigan. State law limits the Library's depository options to financial institutions located in Michigan. All accounts are in the name of the Library.

## HERRICK DISTRICT LIBRARY

### Notes to Financial Statements

#### Investment and Deposit Risk

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 (summary of significant accounting policies). The Library's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Library's investments consist of deposits in Michigan CLASS government investment pool that does not mature.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned. The Library minimizes this risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the Library's investment policy. As of year-end, \$4,249,590 of the Library's bank balance of \$5,641,355 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Library does not have a policy for investment custodial credit risk which is more restrictive than state law.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1 (summary of significant accounting policies). The Library investment policy does not have specific limits in excess of state law on investment credit risk. The Library's investment in Michigan CLASS government investment pool is rated at AAAm by S&P Global Ratings Services.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the listing above. This requirement was not exceeded. All of the Library's investments are in Michigan CLASS government investment pool as noted above.

#### Fair Value Measurement

The Library holds shares in Michigan CLASS government investment pool whereby the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

## HERRICK DISTRICT LIBRARY

### Notes to Financial Statements

At year end, the net asset value of the Library's investment in Michigan CLASS government investment pool was \$4,627,996. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS government investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and other public agencies.

### 3. RECEIVABLES, NET

Receivables are comprised of the following at year-end:

	Governmental Activities
Accounts	\$ 272
Taxes	4,447
Allowance for uncollectable taxes	(4,342)
Interest	2,608
Due from other governmental units	314,354
	<u>\$ 317,339</u>

### 4. PAYABLES

Payables are comprised of the following at year-end:

	Governmental Activities
Accounts	\$ 273,227
Accrued payroll and benefits	78,648
	<u>\$ 351,875</u>

# HERRICK DISTRICT LIBRARY

## Notes to Financial Statements

### 5. CAPITAL ASSETS

Changes in capital assets for the year ending June 30, 2021, are as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Governmental activities</b>					
Capital assets, not being depreciated:					
Land	\$ 617,975	\$ -	\$ -	\$ -	\$ 617,975
Construction in progress	994,207	-	-	(994,207)	-
Total capital assets not being depreciated	1,612,182	-	-	(994,207)	617,975
Capital assets, being depreciated:					
Buildings	11,686,238	2,110,832	(1,188,178)	994,207	13,603,099
Improvements other than buildings	199,034	12,843	(171,573)	-	40,304
Equipment and machinery	493,256	39,435	(70,794)	-	461,897
Library collection	1,009,948	192,019	(234,855)	-	967,112
Office equipment and furniture	807,510	95,633	(101,867)	-	801,276
	14,195,986	2,450,762	(1,767,267)	994,207	15,873,688
Less accumulated depreciation for:					
Buildings	(7,962,644)	(229,076)	736,856	-	(7,454,864)
Improvements other than buildings	(179,804)	(2,755)	168,355	-	(14,204)
Equipment and machinery	(212,189)	(37,628)	63,715	-	(186,102)
Library collection	(542,460)	(197,706)	234,855	-	(505,311)
Office equipment and furniture	(723,335)	(27,348)	90,778	-	(659,905)
	(9,620,432)	(494,513)	1,294,559	-	(8,820,386)
Total capital assets being depreciated, net	4,575,554	1,956,249	(472,708)	994,207	7,053,302
<b>Governmental activities capital assets, net</b>	<b>\$ 6,187,736</b>	<b>\$ 1,956,249</b>	<b>\$ (472,708)</b>	<b>\$ -</b>	<b>\$ 7,671,277</b>

Depreciation expense of \$494,513 was charged to the library services function.

## HERRICK DISTRICT LIBRARY

### Notes to Financial Statements

#### 6. LONG-TERM DEBT

The following is a summary of debt transactions of the Library for the year ended June 30, 2021:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Compensated absences	\$ 233,278	\$ 194,065	\$ (219,898)	\$ 207,445	\$ 103,722

Compensated absences are generally liquidated by the internal service fund.

#### 7. PENSION PLAN

##### *General Information About the Plan*

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

*Benefits Provided.* Pension benefits vary by division/bargaining unit and are calculated as final average compensation (based on a 5 year period) and a multiplier of 2.0%. Participants are considered to be fully vested in the plan after 10 years. Normal retirement age is 60 with early retirement at age 55 with 25 years of service, age 50 with 25 years of service or age 55 with 15 years of service. The Plan is closed to new members.

*Employees Covered by Benefit Terms.* At the December 31, 2020 valuation date, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	52
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>19</u>
<b>Total membership</b>	<u><u>79</u></u>

*Contributions.* 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 cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. As of June 30, 2021, employer contributions were \$16,884 per month. In addition, the employer may establish contribution rates to be paid by its covered employees. During the year ended June 30, 2021, employee contributions of 2.0% were required.



## HERRICK DISTRICT LIBRARY

### Notes to Financial Statements

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

*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	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.35%, net of investment and administrative expense including inflation

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, 2020 valuation were based on the results of the most recent actuarial experience study of 2014-2018.

## HERRICK DISTRICT LIBRARY

### Notes to Financial Statements

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	60.0%	5.25%	3.15%
Global fixed income	20.0%	1.25%	0.25%
Private investments	20.0%	7.25%	1.45%
	<u>100.0%</u>		
Inflation			2.50%
Administrative expenses netted above			<u>0.25%</u>
<b>Investment rate of return</b>			<u><u>7.60%</u></u>

*Discount Rate.* The discount rate used to measure the total pension liability as of December 31, 2020 was 7.6%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## HERRICK DISTRICT LIBRARY

### Notes to Financial Statements

#### *Changes in Net Pension Liability*

The components of the change in the net pension liability are summarized as follows:

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at December 31, 2019	\$ 8,869,768	\$ 6,791,487	\$ 2,078,281
Changes for the year:			
Service cost	90,624	-	90,624
Interest	653,771	-	653,771
Differences between expected and actual experience	18,921	-	18,921
Changes in assumptions	447,391	-	447,391
Employer contributions	-	343,094	(343,094)
Employee contributions	-	22,897	(22,897)
Net investment income	-	930,861	(930,861)
Benefit payments, including refunds of employee contributions	(625,655)	(625,655)	-
Administrative expense	-	(13,451)	13,451
Net changes	585,052	657,746	(72,694)
<b>Balances at December 31, 2020</b>	<b>\$ 9,454,820</b>	<b>\$ 7,449,233</b>	<b>\$ 2,005,587</b>

*Changes in assumptions.* A 5-year experience study analyzing historical experience from 2013 through 2018 was completed in February 2020. In addition to changes to the economic assumptions which took effect with the fiscal year 2021 contribution rates, the experience study recommended updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates.

*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 7.6%, as well as what the Library's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.6%) or 1% higher (8.6%) than the current rate:

<b>1% Decrease (6.6%)</b>	<b>Current Discount Rate (7.6%)</b>	<b>1% Increase (8.6%)</b>
\$ 2,969,926	\$ 2,005,587	\$ 1,181,872

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.

## HERRICK DISTRICT LIBRARY

### Notes to Financial Statements

#### *Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions*

For the year ended June 30, 2021, the Library recognized pension expense of \$482,908. The Library reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 9,460	\$ -	\$ 9,460
Changes in assumptions	223,695	-	223,695
Net difference between projected and actual earnings on pension plan investments	-	296,236	(296,236)
	233,155	296,236	(63,081)
Contributions subsequent to the measurement date	101,304	-	101,304
<b>Total</b>	<b>\$ 334,459</b>	<b>\$ 296,236</b>	<b>\$ 38,223</b>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2022. Other amounts reported as deferred outflows of resources related to the pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2022	\$ 172,703
2023	3,483
2024	(154,249)
2025	(85,018)
<b>Total</b>	<b>\$ (63,081)</b>

*Payable to the Pension Plan.* At June 30, 2021, the Library reported a payable of \$18,349 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

The net pension liability is generally liquidated by the general fund.

## HERRICK DISTRICT LIBRARY

### Notes to Financial Statements

#### Defined Contribution Plan

The Library also maintains a Section 401(k) defined contribution plan administered by MERS. All employees of the Library hired after February 1, 2017 are eligible to participate in the Plan. Participants may contribute annual compensation as defined in either Plan up to the maximum allowed by the Internal Revenue Service. The defined contribution provisions of the plan require the Library to contribute 6% to 7% of covered employee payroll. Total employer and employee contributions were \$64,149 and \$9,215, respectively, for the year ended June 30, 2021.

#### Defined Compensation Plan

The Library also maintains a Section 457 defined compensation plan administered by MERS. All employees of the Library are eligible to participate in the Plan. Participants may contribute annual compensation as defined in either Plan up to the maximum allowed by the Internal Revenue Service. The Library is not required to contribute to the plan. Total employee contributions totaled \$58,238 for the year ended June 30, 2021.

### 8. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 7, the Library provides postemployment health care benefits, in accordance with union contracts and approved personnel policy for full-time permanent employees, to all employees who retire from the Library on or after attaining age 55, but prior to attaining age 65. During the year there were no retirees receiving benefits. The Library provides for single person coverage up to \$155 per month or two-person coverage up to \$300 per month for up to 18 months after retirement. No benefit is provided if the retiree can obtain no cost coverage through other employment or through a spouse's employment. However, retired employees who are eligible to receive hospital, surgical and medical coverage from another employer sponsored plan may request reimbursement for any premium cost up to the maximum amounts as stated above. All retirees and their spouses, including surviving spouses and/or dependents, are eligible for participation in the Library's Group Health Insurance by paying the established premiums. During the fiscal year, there were no expenditures paid for postemployment health care benefits. Such premiums are expected to be funded on a pay-as-you-go basis. An actuarial valuation of the Library's liability for these benefits in accordance with GASB Statement No. 75 has not been performed. Inasmuch as the plan is only open to a small number of Library employees, management has determined that the net other postemployment benefit liability would be immaterial to the financial statements taken as a whole.

**HERRICK DISTRICT LIBRARY**

**Notes to Financial Statements**

**9. TAX ABATEMENTS**

The Library received reduced property tax revenues during 2021 as a result of industrial facilities tax exemptions (IFT's) and other agreements entered into by the City of Holland and Holland Township. The City of Holland has offered tax incentives and abatements to create jobs, stimulate investment, provide affordable housing, rehabilitate existing residential, commercial and industrial properties, clean up environmentally contaminated properties, redevelop functionally obsolete properties, encourage high tech innovation, and enhance economic growth in the region.

The three tax incentive programs provided by the City of Holland as of December 31, 2020, and the amount of taxes abated for each of the programs for Herrick District Library for the year ended June 30, 2021 were as follows:

Industrial Facility Tax Exemption (IFT)	\$ 60,034
Payment in Lieu of Taxes (PILOT)	17,069
Brownfield Redevelopment Financing Act	<u>83,687</u>
	<u>\$ 160,790</u>

**10. CORONAVIRUS (COVID-19)**

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The pandemic has resulted in operational challenges for the Library as it determines the appropriate methods to provide services to its citizens. At this time, management does not believe that any ongoing negative financial impact related to the pandemic, if any, would be material to the Library.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

## HERRICK DISTRICT LIBRARY

### Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan  
Schedule of Changes in the Library's Net Pension Liability and Related Ratios

	Year Ended June 30,			
	2021	2020	2019	2018
<b>Total pension liability</b>				
Service cost	\$ 90,624	\$ 100,317	\$ 99,711	\$ 97,650
Interest	653,771	657,429	659,414	651,089
Change in benefits	-	-	-	(11,785)
Differences between expected and actual experience	18,921	6,018	(178,786)	7,645
Changes of assumptions	447,391	237,627	-	-
Benefit payments, including refunds of employee contributions	(625,655)	(598,659)	(612,208)	(670,959)
<b>Net change in total pension liability</b>	<u>585,052</u>	<u>402,732</u>	<u>(31,869)</u>	<u>73,640</u>
Total pension liability, beginning of year	<u>8,869,768</u>	<u>8,467,036</u>	<u>8,498,905</u>	<u>8,425,265</u>
<b>Total pension liability, end of year</b>	<u>9,454,820</u>	<u>8,869,768</u>	<u>8,467,036</u>	<u>8,498,905</u>
<b>Plan fiduciary net position</b>				
Employer contributions	343,094	341,056	280,428	316,266
Employee contributions	22,897	24,442	23,972	20,004
Net investment income (loss)	930,861	832,750	(258,640)	811,515
Benefit payments, including refunds of employee contributions	(625,655)	(598,659)	(612,208)	(670,959)
Administrative expense	(13,451)	(14,316)	(12,937)	(12,891)
<b>Net change in plan fiduciary net position</b>	<u>657,746</u>	<u>585,273</u>	<u>(579,385)</u>	<u>463,935</u>
Plan fiduciary net position, beginning of year	<u>6,791,487</u>	<u>6,206,214</u>	<u>6,785,599</u>	<u>6,321,664</u>
<b>Plan fiduciary net position, end of year</b>	<u>7,449,233</u>	<u>6,791,487</u>	<u>6,206,214</u>	<u>6,785,599</u>
<b>Library's net pension liability</b>	<u>\$ 2,005,587</u>	<u>\$ 2,078,281</u>	<u>\$ 2,260,822</u>	<u>\$ 1,713,306</u>
Plan fiduciary net position as a percentage of total pension liability	78.8%	76.6%	73.3%	79.8%
Covered payroll	\$ 1,056,993	\$ 1,175,192	\$ 1,165,256	\$ 1,178,842
Library's net pension liability as a percentage of covered payroll	189.7%	176.8%	194.0%	145.3%

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

*Changes in assumptions.* In 2016, amounts reported as changes of assumptions resulted primarily from adjustments to the mortality table to reflect longer lifetimes, decreases in the assumed rate of return, and changes in asset smoothing.

In 2020, amounts reported as changes of assumptions resulted primarily from a decrease in the assumed rate of return from 7.75% to 7.35%, and a decrease in the assumed rate of wage inflation from 3.75% to 3.00%.

In 2021, amounts reported as changes of assumptions related to updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates.



Year Ended June 30,		
2017	2016	2015
\$ 128,769	\$ 118,525	\$ 127,760
637,916	604,421	587,753
(14,815)	-	-
69,938	146,374	-
-	354,428	-
(612,207)	(550,280)	(467,441)
209,601	673,468	248,072
8,215,664	7,542,196	7,294,124
8,425,265	8,215,664	7,542,196
154,501	142,625	143,447
8,161	-	-
674,268	(95,659)	409,355
(612,207)	(550,280)	(467,441)
(13,332)	(14,200)	(14,971)
211,391	(517,514)	70,390
6,110,273	6,627,787	6,557,397
6,321,664	6,110,273	6,627,787
\$ 2,103,601	\$ 2,105,391	\$ 914,409
75.0%	74.4%	87.9%
\$ 1,606,338	\$ 1,468,081	\$ 1,584,563
131.0%	143.4%	57.7%

## HERRICK DISTRICT LIBRARY

### Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan  
Schedule of Contributions

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution (Deficiency) Excess	Covered Payroll	Contributions as Percentage of Covered Payroll
2021	\$ 202,608	\$ 348,176	\$ 145,568	\$ 1,085,459	32.1%
2020	192,444	318,580	126,136	1,207,904	26.4%
2019	237,396	302,574	65,178	1,204,741	25.1%
2018	193,104	333,112	140,008	1,199,519	27.8%
2017	163,129	163,129	-	1,030,780	15.8%
2016	147,813	147,813	-	1,555,194	9.5%
2015	142,958	142,958	-	1,534,331	9.3%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

### Notes to Schedule of Contributions

Valuation Date Actuarially determined contribution rates are calculated as of the December 31 that is 18 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates (2021, based on the 12/31/2018 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	20 years
Asset valuation method	5-year smooth market
Inflation	2.50%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment and administrative expense including inflation
Normal retirement age	Age 60
Mortality	50% Female/50% Male blend of the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%, the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables

## **INTERNAL CONTROL AND COMPLIANCE**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

October 14, 2021

Members of the Board of Trustees  
Herrick District Library  
Holland, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Herrick District Library** (the "Library"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated October 14, 2021.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Rehmann is an independent member of Nexia International.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.