

Audited Financial Statements

Capital Area District Library

*Year Ended December 31, 2023
with Report of Independent Auditors*

Capital Area District Library
Audited Financial Statements
Year Ended December 31, 2023

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Report of Independent Auditors

Board of Trustees
Capital Area District Library
Lansing, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Capital Area District Library (Library), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Capital Area District Library as of December 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule for the general fund, and the schedules for the pension plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial

statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Andrews Hooper Paulik PLC

Okemos, Michigan
April 2, 2024

Capital Area District Library

Management's Discussion and Analysis

December 31, 2023

This discussion and analysis of the Capital Area District Library's (Library) financial performance provides an overview of the Library's financial activities for the year ended December 31, 2023. Please read it in conjunction with the Library's financial statements.

Financial Summary

Total net position	\$ 16,038,301
Change in total net position	\$ 277,538
Fund balance, general fund	\$ 12,800,754
Change in fund balance, general fund	\$ 680,809
Unassigned fund balance, general fund	\$ 7,655,752

Overview of the Financial Statements

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

To simplify financial reporting and improve readability, the government-wide financial statements and the fund statements have been combined to report the statement of net position and general fund balance sheet on a single page and the statement of activities and general fund revenues, expenditures, and changes in fund balance on a single page.

Government-Wide Statements

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 residual balance reported as net position. Over time, increases and 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 past or future fiscal periods (for instance, depreciation expense associated with capital assets).

Both of the government-wide financial statements display functions of the Library that are principally supported by taxes and intergovernmental revenues (governmental activities). The Library had no business-type activities as of and for the year ended December 31, 2023.

Capital Area District Library

Management's Discussion and Analysis

December 31, 2023

Overview of the Financial Statements (continued)

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 units of state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activity of the Library is accounted for in a governmental fund (general fund).

Governmental Funds

Governmental funds are used to account for essentially the same function reported 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 the general fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the general fund 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 general fund balance sheet and the general fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between the general fund and the government-wide statements.

The Library maintains one governmental fund (the general fund). Information is presented in the general fund balance sheet and in the general fund statement of revenues, expenditures, and changes in fund balance for the Library. The general fund is a major fund for financial reporting purposes as defined by generally accepted accounting principles (GAAP).

The Library adopts an annual appropriated budget for the general fund. Budgetary comparison statements and schedules have been provided as part of required supplementary information herein to demonstrate compliance with those budgets.

The Library does not maintain proprietary or fiduciary funds.

Capital Area District Library

Management's Discussion and Analysis

December 31, 2023

Overview of the Financial Statements (continued)

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Library's financial statements. The notes to the financial statements are considered to be part of the basic 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, budgetary comparison schedule for the general fund, and the schedules for the pension plan immediately following the notes to the financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Library's financial position. In the case of the Library, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$16,038,301 at the close of the most recent fiscal year. The timing of debt service payments and depreciation expense of capital assets has a significant impact on this balance. \$5,554,085 of the Library's net position reflects its investment in capital assets (i.e., costs of building and building improvement, furniture and equipment, library collection, and right-of-use lease and subscription assets, net of related accumulated depreciation). The Library uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Capital Area District Library

Management's Discussion and Analysis

December 31, 2023

Government-wide Financial Analysis (continued)

Financial Information

Net position may serve over time as a useful indicator of a government's financial position. The following table shows the key financial information.

Condensed Statements of Net Position

	December 31	
	2023	2022*
Assets:		
Current and other assets	\$ 26,109,957	\$ 25,023,312
Capital assets, net	5,554,085	5,072,072
Total assets	<u>31,664,042</u>	<u>30,095,384</u>
Deferred outflows of resources	<u>1,694,660</u>	<u>2,563,200</u>
Liabilities:		
Other liabilities	507,203	434,367
Long-term liabilities	788,418	317,446
Net pension liability (due in more than one year)	3,124,814	3,513,133
Total liabilities	<u>4,420,435</u>	<u>4,264,946</u>
Deferred inflows of resources	<u>12,899,966</u>	<u>12,641,781</u>
Net Position:		
Investment in capital assets	5,554,085	5,072,072
Restricted for donations	333,152	333,151
Unrestricted	10,151,064	10,346,634
Total net position	<u>\$ 16,038,301</u>	<u>\$ 15,751,857</u>

* Financial information for 2022 has not been restated for the effects of the adoption of GASB Statement No. 96 during the year ended December 31, 2023. Additionally, certain amounts in 2022 have been reclassified to conform to the 2023 presentation.

Capital Area District Library

Management's Discussion and Analysis

December 31, 2023

Government-wide Financial Analysis (continued)

Financial Information (continued)

Condensed Statements of Activities

	Year Ended December 31	
	2023	2022*
Revenues:		
Charges for services	\$ 107,892	\$ 100,761
Operating grants and contributions	314,132	368,532
Property taxes	12,306,475	11,733,381
Other revenues	1,180,973	788,324
Total revenues	<u>13,909,472</u>	<u>12,990,998</u>
Expenses:		
Library services	<u>13,631,934</u>	<u>12,779,144</u>
Change in net position	277,538	211,854
Net Position:		
Net position at beginning of year	15,751,857	15,540,003
Impact of GASB No. 96 adoption	8,906	-
Net position at end of year	<u>\$ 16,038,301</u>	<u>\$ 15,751,857</u>

* Financial information for 2022 has not been restated for the effects of the adoption of GASB Statement No. 96 during the year ended December 31, 2023. Additionally, certain amounts in 2022 have been reclassified to conform to the 2023 presentation.

The Library's net position increased in the current year by \$277,538. This increase was due primarily to the increase in tax revenue. Library service expenses also increased as a result of rising cost of supplies and services. Unrestricted net position, the part of net position that can be used to finance day-to-day operations, totals \$10,151,064. Unrestricted net position decreased during the year by \$195,570.

Capital Area District Library

Management's Discussion and Analysis

December 31, 2023

Financial Analysis of the General Fund

As of the end of the current fiscal year, the Library's general fund reported combined ending fund balance of \$12,800,754, an increase of \$680,809 in comparison with the prior year. Approximately 60% of this total amount, \$7,655,752, constitutes unassigned fund balance, which is available for spending at the Library's discretion. The remainder of fund balance is considered nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending. As of December 31, 2023, the Library had \$409,565 considered nonspendable as it has already been committed to prepaid contracted services, which is included as a fund asset. An additional portion of the fund balance is restricted for donations in the amount of \$333,152. The Library had committed fund balance of \$4,116,000 which includes amounts for capital projects, automation, operations, and pension reserve. The remaining fund balance of \$286,285 is assigned for donations.

Unassigned fund balance represents 60% of total general fund expenditures, while total fund balance represents 93% of that same amount.

The fund balance of the general fund increased by \$680,809 during fiscal year 2023. This increase is a result of overall revenues exceeding expenditures. Details are outlined below in the budgetary highlights section.

Budgetary Highlights

The total actual revenues were over the final budget by approximately \$126,000 and the total actual expenditures were under the final budget by approximately \$654,000.

The total operating revenues were higher than planned as investment income, donations, and fines and fees were approximately \$113,700 more than budget.

The total actual expenditures were under the final budget in several categories. Salaries and benefits were under budget by approximately \$584,100, as labor costs were lower, primarily from attrition. Library materials spending was under budget by approximately \$189,600, as the pandemic slowed purchasing and distribution processes. Expenditures for supplies, technology, and capital projects were under budget by approximately \$250,000. This is due to delays in renovation projects. Maintenance & Utilities came in under budget by approximately \$83,000.

The original budget was amended during the current year to account for various changes. These included adjustments to roll forward unspent 2022 project funding, new accounting software and additional costs to outfit the two new mobile libraries.

Capital Area District Library

Management's Discussion and Analysis

December 31, 2023

Capital Assets

As of December 31, 2023, the Library had \$5,554,085 invested in a broad range of capital assets, including building and building improvements, furniture and equipment, library collection, and right-of-use lease and subscription assets, net of accumulated depreciation.

For the year ended December 31, 2023, the Library had additions to building and building improvements of \$44,080, furniture, equipment, and vehicles of \$395,041, library collection of \$843,559, and right-of-use lease and subscription assets of \$486,942. More detailed information about capital assets can be found in the notes to the financial statements.

Long-term Liabilities

As of December 31, 2023, total long-term liabilities included compensated absences in the amount of \$312,630, lease liability in the amount of \$362,620, and subscription liabilities in the amount of \$113,168. More detailed information on long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budget and Rates

The Library will continue to fulfill its mission of “empowering our communities to learn, imagine, and connect” by maintaining its current services and expanding on needed areas. With the restoration of its millage rate in 2022, materials, staffing, circulation, and visits are on track to reach pre-pandemic numbers. The Library will also complete two renovation projects at the Stockbridge and Mason libraries along with replacing patron computers. All of these objectives will be accomplished with a 2024 budget that is fiscally responsible, while meeting the needs of the Library's communities.

Contacting the Library's Management

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Capital Area District Library, 401 S. Capitol Ave., Lansing, MI 48933.

Capital Area District Library

Statement of Net Position and General Fund Balance Sheet

December 31, 2023

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 9,019,400	\$ -	\$ 9,019,400
Investments	4,393,641	-	4,393,641
Taxes receivable	12,201,348	-	12,201,348
Accounts receivable	8,071	-	8,071
Interest receivable	77,932	-	77,932
Prepaid items	409,565	-	409,565
Capital assets being depreciated, net	-	5,554,085	5,554,085
Total assets	\$ 26,109,957	5,554,085	31,664,042
Deferred outflows of resources			
Deferred pension amounts	-	1,694,660	1,694,660
Liabilities			
Accounts payable	\$ 225,827	-	225,827
Salaries payable and related benefits	281,376	-	281,376
Long-term liabilities:			
Due within one year	-	145,070	145,070
Due in more than one year	-	643,348	643,348
Net pension liability (due in more than one year)	-	3,124,814	3,124,814
Total liabilities	507,203	3,913,232	4,420,435
Deferred inflows of resources			
Taxes levied but intended for subsequent period	12,802,000	-	12,802,000
Deferred pension amounts	-	97,966	97,966
Total deferred inflows of resources	12,802,000	97,966	12,899,966
Fund balances			
Nonspendable for prepaid items	409,565	(409,565)	-
Restricted for donations	333,152	(333,152)	-
Committed:			
Capital projects	1,429,000	(1,429,000)	-
Automation	1,000,000	(1,000,000)	-
Operations	367,000	(367,000)	-
Pension reserve	1,320,000	(1,320,000)	-
Assigned for donations	286,285	(286,285)	-
Unassigned	7,655,752	(7,655,752)	-
Total fund balances	12,800,754	(12,800,754)	-
Total liabilities, deferred inflows of resources, and fund balances	\$ 26,109,957		
Net position			
Investment in capital assets		5,554,085	5,554,085
Restricted for donations		333,152	333,152
Unrestricted		10,151,064	10,151,064
Total net position		\$ 16,038,301	\$ 16,038,301

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

Capital Area District Library

Reconciliation of Fund Balance for the General Fund to
Net Position of Governmental Activities

December 31, 2023

Fund balance – general fund	\$ 12,800,754
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.	
Capital assets being depreciated, net	5,554,085
Certain liabilities, including amounts due for compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	(312,630)
Lease obligations	(362,620)
Subscription obligations	(113,168)
Net pension liability	(3,124,814)
Deferred outflows related to the net pension liability	1,694,660
Deferred inflows related to the net pension liability	<u>(97,966)</u>
Net position of governmental activities	<u>\$ 16,038,301</u>

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

Capital Area District Library

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

For the Year Ended December 31, 2023

	General Fund	Adjustments	Statement of Activities
Expenditures/expenses			
Library services:			
Salaries	\$ 6,366,630	\$ (4,816)	\$ 6,361,814
Benefits	2,074,738	405,406	2,480,144
Governance	53,690	-	53,690
Materials	1,929,889	(853,009)	1,076,880
Supplies	129,897	-	129,897
Staff development	29,390	-	29,390
Professional services	534,427	(3,990)	530,437
Maintenance and utilities	823,627	(27,160)	796,467
Capital outlay	450,325	(262,624)	187,701
Capital outlay - subscriptions and leases	469,442	(469,442)	-
Depreciation	-	1,302,430	1,302,430
Technology	487,473	(140,129)	347,344
Other services	346,150	(13,268)	332,882
Debt service:			
Principal	95,444	(95,444)	-
Interest	2,858	-	2,858
	13,793,980	(162,046)	13,631,934
Program revenues			
Charges for services	107,892	-	107,892
Operating grants and contributions	314,132	-	314,132
	422,024	-	422,024
Net program expenditures/expenses	(13,371,956)	162,046	(13,209,910)
General revenues			
Property taxes	12,306,475	-	12,306,475
Investment earnings	646,019	-	646,019
Penal fines	179,740	-	179,740
State revenue	247,890	-	247,890
Miscellaneous	203,199	(95,875)	107,324
	13,583,323	(95,875)	13,487,448
Other financing sources			
Subscriptions and leases	469,442	(469,442)	-
Change in fund balance/net position	680,809	(403,271)	277,538
Fund balance/net position at beginning of year (as restated)	12,119,945	3,640,818	15,760,763
Fund balance/net position at end of year	\$ 12,800,754	\$ 3,237,547	\$ 16,038,301

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

Capital Area District Library

Reconciliation of Net Change in Fund Balance of the General Fund to Change in Net Position of Governmental Activities

For the Year Ended December 31, 2023

Net change in fund balance – general fund \$ 680,809

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

Governmental funds report capital and subscription 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.

Capital assets purchased/constructed	1,300,180
Depreciation expense	(1,302,430)
Loss on disposal of capital assets	(95,875)

Governmental funds report repayments of lease and subscription liabilities as expenditures. However, in the statement of activities, these repayments are reported as reductions of the related liability balance.

Repayments of lease liabilities	4,520
Repayments of subscription liabilities	90,924

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 accrual for compensated absences	4,816
Change in net pension liability and related deferred amounts	(405,406)

Change in net position of governmental activities \$ 277,538

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

Capital Area District Library

Notes to Financial Statements

December 31, 2023

1. Summary of Significant Accounting Policies

Reporting Entity

Effective January 1, 1998, the Capital Area District Library (Library) commenced official operations pursuant to the March 10, 1997 signed District Library Agreement. The District Library Agreement was originally entered into by the County of Ingham, except for the City of East Lansing and small portions of White Oak and Locke Townships, and the City of Lansing. In February 1999, three additional participating municipalities were recognized by the original participants – Delhi Township, Meridian Township, and the City of Williamston. The Library is funded primarily through property taxes, state aid, penal fines, and donations. The voters of the Library approved a 1.56 mill tax for a four year period, which began with a tax levy effective December 31, 2018. This millage provided funding of Library operations through December 31, 2022. In August 2022, the voters of the Library approved a 1.56 mill tax for a four-year period, which provides funding of Library operations through December 31, 2026.

The Library has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the Library.

The Library is not included as a component unit in any other primary government's financial statements.

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 non-fiduciary activities of the primary government. 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 Library had no business-type activities during the year.

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.

Capital Area District Library

Notes to Financial Statements

December 31, 2023

1. Summary of Significant Accounting Policies (continued)

Government-wide and Fund Financial Statements (continued)

As permitted by GASB Statement No. 34, the Library uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. The general fund is considered to be a major fund for financial reporting purposes.

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.

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 government 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, expenditures related to compensated absences are recorded only when payment is due.

Property taxes received, intergovernmental revenue, and interest revenue earned within the current 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 government.

The Library reports the following major governmental fund:

- General Fund – The Library’s primary operating fund which accounts for all financial resources of the Library.

Capital Area District Library

Notes to Financial Statements

December 31, 2023

1. Summary of Significant Accounting Policies (continued)

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

Deposits and Investments

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The Library participates in an external investment pool, Michigan Liquid Asset Fund (MILAF). In accordance with GASB requirements, some of the Library's shares in that pool are recorded at amortized cost and others are valued at each investment's net asset value, both of which approximate fair value.

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

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the 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 two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. In addition, library materials such as books and certain media are capitalized as a collection although they may have an individual cost less than \$5,000. 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 recorded at estimated acquisition cost at the date donated.

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

Capital Area District Library

Notes to Financial Statements

December 31, 2023

1. Summary of Significant Accounting Policies (continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity (continued)

Capital Assets (continued)

Capital assets of the primary government are depreciated using the straight-line method over the following useful lives.

Building	40 years
Land and building improvements	5 – 25 years
Furniture and equipment	5 – 10 years
IT items and upgrades	3 – 25 years
IT equipment	3 – 10 years
Vehicles	5 – 10 years
Library materials	3 – 7 years

Deferred Outflows of Resources

In addition to assets, the Library will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The Library reports deferred outflows of resources for changes in expected and actual investment returns, assumptions, experience, and benefits provided in its pension plan.

Leases and Subscriptions

The Library leases parking lot space from an external party. The Library utilizes subscription-based IT arrangements (SBITAs) for various licenses and remote hosting arrangements. Right-to-use assets and liabilities are recorded based on the present value of expected payments over the term of the respective leases, licenses, or hosting arrangements. The contract term includes the noncancelable periods and extensions the Library is reasonably certain to exercise. The expected payments are discounted using the interest rate charged in the contract, if available, or are otherwise discounted using the Library's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. Right-to-use assets are amortized over the shorter of the contract term or the underlying useful life of the asset.

Capital Area District Library

Notes to Financial Statements

December 31, 2023

1. Summary of Significant Accounting Policies (continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity (continued)

Compensated Absences

It is the Library's policy to permit employees to accumulate earned but unused sick and vacation benefits. There is no liability for unpaid accumulated sick leave since the Library does not have a policy to pay any amounts when employees separate from service with the Library. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund only when they have matured or come due for payment, generally when an individual's employment has terminated as of year end.

Deferred Inflows of Resources

In addition to liabilities, the Library will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and will not be recognized as an inflow of resources (revenue) until that time. The governmental fund reports unavailable revenues, which arise only under a modified accrual basis of accounting, from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Additionally, the Library reports deferred inflows of resources related to its pension plan.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and related expenses, information about the fiduciary net position of the Plan and additions to/deductions from the Plan fiduciary net position has been determined on the same basis as it is 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.

Capital Area District Library

Notes to Financial Statements

December 31, 2023

1. Summary of Significant Accounting Policies (continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity (continued)

Fund Equity

In the fund financial statements, fund balance is presented in five possible categories:

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

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

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

Assigned – amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Trustees has delegated the authority to assign fund balance to the Finance Director.

Unassigned – amounts that are available for any purpose.

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

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Adoption of New Accounting Standard

The Library adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, (GASB 96) effective for the year ended December 31, 2023. The statement establishes new requirements for calculating and reporting the Library's subscription-based information technology arrangements (SBITAs).

Capital Area District Library

Notes to Financial Statements

December 31, 2023

1. Summary of Significant Accounting Policies (continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity (continued)

Adoption of New Accounting Standard (continued)

Balances were restated as follows for the effects of the Library's adoption of GASB 96:

	December 31, 2022		
	As Originally Reported	GASB 96 Impact	December 31, 2022 As Restated
Capital assets being depreciated, net	\$ 5,072,072	\$ 110,696	\$ 5,182,768
Total assets	30,095,384	110,696	30,206,080
Deferred outflows	2,563,200	-	2,563,200
Long-term liabilities, due within one year	31,745	49,371	81,116
Long-term liabilities, due in due in more than one year	285,701	52,419	338,120
Total liabilities	4,264,946	101,790	4,366,736
Deferred inflows	12,641,781	-	12,641,781
Net position	15,751,857	8,906	15,760,763

2. Budgetary Information

Budgets are adopted annually. The general fund is under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with GAAP, and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted and as amended by the Library Board. The budget for the general fund is adopted on a functional classification basis; expenditures at this level in excess of final budgeted amounts are a violation of Michigan law.

The Library has included the budgeted expenditure amounts for the debt service costs related to the lease liability within benefits and debt service costs related to the subscriptions liability within materials, capital outlay, and technology. As a result, the budgetary comparison schedule reflects unfavorable budget variances for debt service amounts. In addition, due to the required capital outlay expenditure for new subscriptions and leases which is not included in budgeted amounts, the budgetary comparison schedule reflects an unfavorable variance for capital outlay-subscriptions and leases and a favorable variance for other financing sources.

Capital Area District Library

Notes to Financial Statements

December 31, 2023

3. Deposits and Investments

Following is a reconciliation of cash and investment balances as of December 31, 2023:

Statement of Net Position:	
Cash and cash equivalents	\$ 9,019,400
Investments	4,393,641
Total	<u>\$ 13,413,041</u>
Cash:	
Petty cash	\$ 4,494
Deposits and Investments:	
Checking/savings	9,014,906
Certificates of deposit	1,653,540
Investments	2,740,101
Total	<u>\$ 13,413,041</u>

Investments

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

Investments	Maturity	Carrying Value	Rating
External investment pools:			
Michigan Liquid Asset Fund (MILAF):			
MILAF+ Portfolio (GovMIC Class)	N/A	\$ 240,101	S&P AAAm
Michigan Term Portfolio	May 10, 2024	1,000,000	Fitch AA Af
Michigan Term Portfolio	August 13, 2024	1,500,000	Fitch AA Af
Total		<u>\$ 2,740,101</u>	

Capital Area District Library

Notes to Financial Statements

December 31, 2023

3. Deposits and Investments (continued)

Investments (continued)

Investments were valued as follows as of December 31, 2023:

Assets carried at amortized cost:	
External investment pools:	
Michigan Liquid Asset Fund (MILAF):	
MILAF+ Portfolio (GovMIC Class)	\$ 240,101
Assets carried at net asset value:	
External investment pools:	
Michigan Liquid Asset Fund (MILAF):	
Michigan Term Portfolio	2,500,000
Total investments	<u>\$ 2,740,101</u>

The GovMIC Class of the MILAF+ Portfolio has a one-day minimum investment period. There are no minimum deposit or redemption requirements. The Michigan Term Portfolio requires a minimum investment and account balance of \$100,000. The minimum term for investment is 60 days and the maximum term is one year. Premature withdrawal may result in penalties. Notice of premature redemption must be given seven days prior to withdrawal.

The Library's investments in certificates of deposits meet the criteria to be valued at cost.

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 the list of authorized investments above. 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. Maturity dates of investments are shown in the investment schedule on the previous page.

Credit Risk. State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations and to invest in bonds, securities, obligations, or repurchase agreements of the United States, certificates of deposit, certain commercial paper, banker acceptances, certain obligations of the State of Michigan, mutual funds composed of otherwise legal investments, and external investment pools as authorized by Public Act 20 as amended through December 31, 1997. The Library's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

Capital Area District Library

Notes to Financial Statements

December 31, 2023

3. Deposits and Investments (continued)

Investment and Deposit Risk (continued)

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned. State law does not require and the Library does not have a policy for deposit custodial credit risk. As of year end, \$9,373,222 of the Library's bank balance of \$10,867,905 (including certificates of deposit) 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. All investments are held in the name of the Library by a counterparty, and thus are not exposed to custodial credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Library's investment policy does not have specific limits in excess of state law on concentration of credit risk. All of the Library's investments are listed in the schedule on the previous page.

Capital Area District Library

Notes to Financial Statements

December 31, 2023

4. Capital Assets

Capital asset activity for the year ended December 31, 2023, was as follows:

	Beginning Balance (as restated)	Additions	Disposals	Ending Balance
Capital assets being depreciated:				
Building	\$ 265,000	\$ -	\$ -	\$ 265,000
Building improvements	2,125,090	44,080	(108,772)	2,060,398
Equipment	301,264	-	(29,702)	271,562
Furniture	1,017,177	82,392	(137,222)	962,347
IT	347,897	-	(26,251)	321,646
IT equipment	1,255,161	228,842	(197,039)	1,286,964
Vehicles	488,417	83,807	-	572,224
Leases	-	367,140	-	367,140
Subscriptions	149,349	119,802	-	269,151
Library collection	15,428,864	843,559	(957,164)	15,315,259
Total capital assets being depreciated	<u>21,378,219</u>	<u>1,769,622</u>	<u>(1,456,150)</u>	<u>21,691,691</u>
Less accumulated depreciation for:				
Building	(96,062)	(6,625)	-	(102,687)
Building improvements	(1,026,496)	(82,330)	80,723	(1,028,103)
Equipment	(140,417)	(26,223)	13,508	(153,132)
Furniture	(793,128)	(46,557)	110,413	(729,272)
IT	(179,822)	(25,159)	15,751	(189,230)
IT equipment	(998,071)	(120,698)	182,715	(936,054)
Vehicles	(260,968)	(67,261)	-	(328,229)
Leases	-	(4,520)	-	(4,520)
Subscriptions	(38,653)	(94,377)	-	(133,030)
Library collection	(12,661,834)	(828,680)	957,165	(12,533,349)
Total accumulated depreciation	<u>(16,195,451)</u>	<u>(1,302,430)</u>	<u>1,360,275</u>	<u>(16,137,606)</u>
Total capital assets being depreciated, net	<u>5,182,768</u>	<u>467,192</u>	<u>(95,875)</u>	<u>5,554,085</u>
Total capital assets, net	<u>\$ 5,182,768</u>	<u>\$ 467,192</u>	<u>\$ (95,875)</u>	<u>\$ 5,554,085</u>

Capital Area District Library

Notes to Financial Statements

December 31, 2023

5. Long-term Liabilities

The following is a summary of governmental long-term obligations of the Library for the year ended December 31, 2023:

	Compensated Absences	Leases	Subscriptions	Total
Balance – January 1, 2023 (as restated)	\$ 317,446	\$ -	\$ 101,790	\$ 419,236
Additions	371,480	367,140	102,302	840,922
Retirements	(376,296)	(4,520)	(90,924)	(471,740)
Balance – December 31, 2023	312,630	362,620	113,168	788,418
Less: current portion	(31,263)	(24,351)	(89,456)	(145,070)
Total due after one year	<u>\$ 281,367</u>	<u>\$ 338,269</u>	<u>\$ 23,712</u>	<u>\$ 643,348</u>

Leases

The Library's lease agreements as of December 31, 2023, are summarized as follows:

Description	Origination Date	Payment Term	2023 Payment Amount	Interest Rate	Total Original Lease Liability	Current Year Additional Outflows	Balance December 31, 2023
Leased Parking Spaces	12/01/23	10 years	\$ 4,520	8.50%	\$ 367,140	\$ -	\$ 362,620
Total lease agreements			<u>\$ 4,520</u>			<u>\$ -</u>	<u>\$ 362,620</u>

The Library leases parking spaces through a lease agreement that was executed on November 15, 2023. The effective date of the lease was December 1, 2023 and payments began on that date. The lease expires 120 months from execution, which is November 30, 2033, and is not renewable. The right-of-use asset related to the lease is presented in Note 4 Capital Assets.

Remaining principal and interest payments on the lease are as follows of December 31, 2023:

Year Ended December 31	Principal	Interest	Total Payment
2024	\$ 24,351	\$ 29,889	\$ 54,240
2025	26,504	27,736	54,240
2026	28,847	25,393	54,240
2027	31,396	22,844	54,240
2028	34,172	20,068	54,240
2029-2033	217,350	49,330	266,680
	<u>\$ 362,620</u>	<u>\$ 175,260</u>	<u>\$ 537,880</u>

Capital Area District Library

Notes to Financial Statements

December 31, 2023

5. Long-term Liabilities (continued)

Subscription-Based Information Technology Arrangements (SBITAs)

The Library has SBITAs that are used for various software licenses and remote hosting arrangements, which meet the capitalization criteria specified by GAAP. Therefore, the SBITAs have been recorded at the present value of the future minimum payments as of the inception date. The right-of-use assets related to SBITAs are presented in Note 4 Capital Assets.

Payments on the SBITAs for the years succeeding December 31, 2023 are summarized as follows:

Year Ended December 31	Principal	Interest	Total Payment
2024	\$ 89,456	\$ 6,686	\$ 96,142
2025	23,712	1,841	25,553
	<u>\$ 113,168</u>	<u>\$ 8,527</u>	<u>\$ 121,695</u>

In addition to the amounts presented above, the Library also had outflows of resources during the year for implementation costs totaling \$17,500 that were not included in the measurement of the subscription liability.

6. Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The library has purchased commercial insurance for these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

7. Pension Plan – Agent Multiple-Employer 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

Capital Area District Library

Notes to Financial Statements

December 31, 2023

7. Pension Plan – Agent Multiple-Employer Plan (continued)

General Information About the Plan (continued)

Benefits Provided

Pension benefits are calculated as final average compensation (based on a five year period) and multiplier of 2.0% to 2.5%. Participants are considered to be fully vested in the plan after 6 years for nonunion employees and 10 years for union employees. Normal retirement age is 60 with early retirement at age 50 with 25 years of service or at age 55 with 15 years of service, depending on division/bargaining unit.

Employees Covered by Benefit Terms

As of December 31, 2022 (valuation date), plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	35
Inactive employees entitled to but not yet receiving benefits	13
Active employees	<u>55</u>
Total membership	<u><u>103</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. In addition, the employer may establish contribution rates to be paid by its covered employees. The employee contributions noted below are paid by the Library.

Employer and employee contribution amounts or rates, by division/bargaining unit, were as follows for the year ended December 31, 2023:

<u>Division/Bargaining Unit</u>	<u>Employer Contribution</u>	<u>Employee Contribution</u>	<u>Status</u>
07 – NonUnion	\$ 15,636	5.77%	Closed
70 – UnionProf	8.00%	8.23%	Open
71 – UnNon-Prof	8.00%	2.98%	Open

Capital Area District Library

Notes to Financial Statements

December 31, 2023

7. Pension Plan – Agent Multiple-Employer Plan (continued)

General Information About the Plan (continued)

Net Pension Liability

The Library's net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022.

Actuarial Assumptions

The total pension liability in the December 31, 2022 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	7.00%, 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, 2022 valuation were based on the results of the most recent actuarial experience study of 2014-2018.

Capital Area District Library

Notes to Financial Statements

December 31, 2023

7. Pension Plan – Agent Multiple-Employer Plan (continued)

General Information About the Plan (continued)

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	Target Allocation Gross Rate of Return	Long-term Expected Gross Rate of Return	Inflation Assumption	Long-term Expected Real Rate of Return
Global equity	60.00%	7.00%	4.20%	2.50%	2.70%
Global fixed income	20.00%	4.50%	0.90%	2.50%	0.40%
Private investments	20.00%	9.50%	1.90%	2.50%	1.40%
	<u>100.00%</u>		<u>7.00%</u>		<u>4.50%</u>

Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2022 was 7.25%. The projection of cash flows used to determine the discount rate assumes that 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.

Capital Area District Library

Notes to Financial Statements

December 31, 2023

7. Pension Plan – Agent Multiple-Employer Plan (continued)

Changes in Net Pension Liability

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of December 31, 2022	\$ 16,186,734	\$ 12,673,601	\$ 3,513,133
Changes for the year:			
Service cost	458,991	-	458,991
Interest	1,079,202	-	1,079,202
Changes in benefit terms	(49,284)	-	(49,284)
Differences between expected and actual experience	446,991	-	446,991
Employer contributions	-	665,441	(665,441)
Employee contributions	-	255,743	(255,743)
Net investment income	-	1,433,384	(1,433,384)
Benefit payments, including refunds of employee contributions	(689,278)	(689,278)	-
Administrative expense	-	(30,349)	30,349
Net changes	1,246,622	1,634,941	(388,319)
Balances as of December 31, 2023	\$ 17,433,356	\$ 14,308,542	\$ 3,124,814

Changes in Assumptions

In 2023, Investment performance measured for the one-year period ending December 31, 2022 did not result in excess gains for use in lowering the assumed rate of investment return. As a result, this assumption remains at 7.00%.

Capital Area District Library

Notes to Financial Statements

December 31, 2023

7. Pension Plan – Agent Multiple-Employer Plan (continued)

Changes in Net Pension Liability (continued)

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

The following presents the net pension liability of the Library, calculated using the discount rate of 7.25%, as well as what the Library’s net pension liability would be if it were calculated using a discount rate that is 1% lower (6.25%) or 1% higher (8.25%) than the current rate.

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 5,677,768	\$ 3,124,814	\$ 1,038,903

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued Plan financial statements.

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

For the year ended December 31, 2023, the Library recognized pension expense of \$1,070,846. The Library reported deferred outflows of resources and deferred 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	\$ 431,774	\$ 97,966	\$ 333,808
Changes in assumptions	634,935	-	634,935
Net difference between projected and actual earnings on pension plan investments	627,951	-	627,951
Total	\$ 1,694,660	\$ 97,966	\$ 1,596,694

Capital Area District Library

Notes to Financial Statements

December 31, 2023

7. Pension Plan – Agent Multiple-Employer Plan (continued)

**Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions
(continued)**

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

Year Ended December 31	Amount
2024	\$ 724,790
2025	474,460
2026	498,890
2027	(101,446)
Total	<u>\$ 1,596,694</u>

Payable to the Pension Plan

As of December 31, 2023, the Library had no amounts payable in contributions payable to the pension plan.

Subsequent Events

Effective January 1, 2024, the Library re-opened the previously closed non-union division of the MERS defined benefit pension plan.

8. Defined Contribution Retirement Plan

The Library provides retirement benefits to certain full time employees hired before January 1, 2002 through the MERS defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by negotiation with the Library's collective bargaining units, the Library contributes 8% of annual covered compensation. The Library also provides retirement benefits to certain non-union employees hired after January 1, 2020 through a MERS defined contribution plan. The Library contributes 8% of annual covered compensation under this plan. For the year ended December 31, 2023, the Library contributed \$48,207 to these plans.

Capital Area District Library

Notes to Financial Statements

December 31, 2023

9. Property Taxes

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The 2022 taxable value of the District totaled \$8,134,495,999, on which taxes of 1.56 mills are levied for operating purposes. The Library's 2022 tax was levied and collectible on December 1, 2022 and is recognized as revenue in the year ended December 31, 2023, when the proceeds of the levy are budgeted and available to finance operations.

10. Tax Abatements

The Library received reduced property tax revenues during 2023 as result of industrial facilities tax exemptions (IFT's). The IFT's were entered into based upon the Plant Rehabilitation and Industrial Developments Districts Act (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and promote the establishment of high-tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property. The abatements amounted to approximately \$40,000 in reduced tax revenues for fiscal year 2023.

A portion of the Library's tax revenue was captured in 2023 by Downtown Development Authorities (DDAs) of member municipalities within the Library service area. Public Act 57 of 2018 provides for a variety of funding options for DDAs including the tax increment financing mechanism. This mechanism allows for the capture of incremental growth of local property taxes over a period of time to fund downtown development activities. The DDA capture amount reduced Library tax revenues by approximately \$402,000 for fiscal year 2023.

Required Supplementary Information

Capital Area District Library

Budgetary Comparison Schedule - General Fund

For the Year Ended December 31, 2023

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 12,454,000	\$ 12,305,100	\$ 12,306,475	\$ 1,375
Penal fines	248,000	179,650	179,740	90
Fines and fees	89,000	89,000	107,892	18,892
State revenue	391,000	358,400	360,331	1,931
Local contributions	122,000	127,900	127,977	77
Investment earnings	85,000	578,900	646,019	67,119
Donations	46,000	46,000	73,714	27,714
Miscellaneous	116,755	194,055	203,199	9,144
Total revenues	13,551,755	13,879,005	14,005,347	126,342
Expenditures				
Library services:				
Salaries	6,690,000	6,690,000	6,366,630	323,370
Benefits	2,247,000	2,335,500	2,074,738	260,762
Governance	130,180	67,180	53,690	13,490
Materials	2,119,519	2,119,519	1,929,889	189,630
Supplies	141,000	141,000	129,897	11,103
Staff development	36,000	36,000	29,390	6,610
Professional services	564,950	565,900	534,427	31,473
Maintenance and utilities	841,500	907,000	823,627	83,373
Capital outlay	403,700	486,200	450,325	35,875
Capital outlay - subscriptions and leases	-	-	469,442	(469,442)
Technology	690,650	690,650	487,473	203,177
Other services	444,700	409,200	346,150	63,050
Debt service:				
Principal	-	-	95,444	(95,444)
Interest	-	-	2,858	(2,858)
Total expenditures	14,309,199	14,448,149	13,793,980	654,169
Other financing sources				
Subscriptions and leases	-	-	469,442	469,442
Net change in fund balance	(757,444)	(569,144)	680,809	1,249,953
Fund balance at beginning of year	12,119,945	12,119,945	12,119,945	-
Fund balance at end of year	<u>\$ 11,362,501</u>	<u>\$ 11,550,801</u>	<u>\$ 12,800,754</u>	<u>\$ 1,249,953</u>

Capital Area District Library

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of Changes in Net Pension Liability and Related Ratios

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability									
Service cost	\$ 458,991	\$ 445,375	\$ 397,864	\$ 417,751	\$ 801,820	\$ 404,462	\$ 415,935	\$ 398,610	\$ 365,896
Interest	1,079,202	1,015,836	858,708	857,880	1,478,959	739,158	682,433	580,414	520,792
Changes in benefit terms	(49,284)	(24,297)	(87,906)	(244,044)	(41,616)	4,138	31,415	(62,471)	-
Differences between expected and actual experience	446,991	(195,932)	148,920	158,744	291,130	192,883	(180,842)	266,071	-
Changes in assumptions	-	727,049	799,242	358,009	-	-	-	488,952	-
Benefit payments, including refunds of employee contributions	(689,278)	(555,930)	(503,839)	(454,837)	(704,148)	(271,796)	(196,459)	(173,841)	(186,880)
Net change in total pension liability	1,246,622	1,412,101	1,612,989	1,093,503	1,826,145	1,068,845	752,482	1,497,735	699,808
Total pension liability at beginning of year	16,186,734	14,774,633	13,161,644	12,068,141	10,241,996	9,173,151	8,420,669	6,922,934	6,223,126
Total pension liability at end of year	17,433,356	16,186,734	14,774,633	13,161,644	12,068,141	10,241,996	9,173,151	8,420,669	6,922,934
Plan fiduciary net position									
Employer contributions	665,441	685,633	521,322	524,488	796,018	373,154	297,624	258,871	245,098
Employee contributions	255,743	211,002	195,810	174,266	365,192	154,076	124,505	142,200	128,660
Net investment income (loss)	1,433,384	(1,431,740)	1,697,751	1,379,104	857,056	1,047,349	785,435	(104,388)	388,568
Benefit payments, including refunds of employee contributions	(689,278)	(555,930)	(503,839)	(454,837)	(704,148)	(271,796)	(196,459)	(173,841)	(186,880)
Administrative expense	(30,349)	(25,929)	(19,476)	(21,107)	(38,960)	(16,526)	(15,479)	(14,897)	(14,374)
Net change in plan fiduciary net position	1,634,941	(1,116,964)	1,891,568	1,601,914	1,275,158	1,286,257	995,626	107,945	561,072
Plan fiduciary net position at beginning of year	12,673,601	13,790,565	11,898,997	10,297,083	9,021,925	7,735,668	6,740,042	6,632,097	6,071,025
Plan fiduciary net position at end of year	14,308,542	12,673,601	13,790,565	11,898,997	10,297,083	9,021,925	7,735,668	6,740,042	6,632,097
Net pension liability	\$ 3,124,814	\$ 3,513,133	\$ 984,068	\$ 1,262,647	\$ 1,771,058	\$ 1,220,071	\$ 1,437,483	\$ 1,680,627	\$ 290,837
Plan fiduciary net position as a percentage of total pension liability	82.1%	78.3%	93.3%	90.4%	85.3%	88.1%	84.3%	80.0%	95.8%
Covered payroll	\$ 3,476,571	\$ 3,515,662	\$ 3,432,564	\$ 3,493,004	\$ 3,602,566	\$ 3,408,001	\$ 3,401,919	\$ 3,383,310	\$ 3,106,622
Net pension liability as a percentage of covered payroll	89.9%	99.9%	28.7%	36.1%	49.2%	35.8%	42.3%	49.7%	9.4%

Notes:

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 adjustment to the following actuarial assumptions: mortality, retirement, disability, and termination rates. In 2022, amounts reported as changes in assumptions related to a decrease in the assumed rate of return from 7.35% to 7.00%.

Capital Area District Library

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of Contributions

Fiscal Year Ended December 31	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Covered Payroll
2014	\$ 245,098	\$ 245,098	\$ -	\$ 3,106,622	7.9%
2015	\$ 258,871	\$ 258,871	\$ -	\$ 3,383,310	7.7%
2016	\$ 297,624	\$ 297,624	\$ -	\$ 3,401,919	8.7%
2017	\$ 373,154	\$ 373,154	\$ -	\$ 3,408,001	10.9%
2018	\$ 378,560	\$ 378,560	\$ -	\$ 3,317,209	11.4%
2019	\$ 417,458	\$ 417,458	\$ -	\$ 3,602,566	11.6%
2020	\$ 524,488	\$ 524,488	\$ -	\$ 3,493,004	15.0%
2021	\$ 401,322	\$ 521,322	\$ (120,000)	\$ 3,432,564	15.2%
2022	\$ 445,633	\$ 685,633	\$ (240,000)	\$ 3,515,662	19.5%
2023	\$ 425,476	\$ 665,441	\$ (239,965)	\$ 3,476,571	19.1%

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 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates (2023, based on the 12/31/2021 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	17 years
Asset valuation method	5-year smooth market
Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.00%, net of investment and administrative expense including inflation
Normal retirement age	Age 60
Mortality	Pre-retirement mortality:
	-100% of Pub-2010 Juvenile Mortality Tables for Ages 0-17
	-100% of PubG-2010 Employee Mortality Tables for Ages 18-80
	-100% of PubG-2010 Healthy Retiree Tables for Ages 81-120
	Non-disabled retired plan members and beneficiaries:
	-106% of Pub-2010 Juvenile Mortality Tables for Ages 0-17
	-106% of PubG-2010 Employee Mortality Tables for Ages 18-49
	-106% of PubG-2010 Healthy Retiree Tables for Ages 50-120
	Disabled retired plan members:
	-100% of Pub-2010 Juvenile Mortality Tables for Ages 0-17
	-100% of PubNS-2010 Disabled Retiree Tables for Ages 18-120