

Muskegon Area District Library
Muskegon, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended December 31, 2015



Muskegon Area District Library

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BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

June 17, 2016

Board of Directors
Muskegon Area District Library
Muskegon, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Muskegon Area District Library, Michigan, as of and for the year ended December 31, 2015, 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.

Auditors' Responsibility

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

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

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

Board of Directors
Muskegon Area District Library
June 17, 2016
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Muskegon Area District Library, Michigan, as of December 31, 2015, 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.

Emphasis of Matter – Change in Accounting Principle

As described in Note I to the financial statements, Muskegon Area District Library implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require management's discussion and analysis, budgetary comparison schedule, and schedule of funding progress on pages 3 - 6 and 26 - 30 be presented to supplement the basic financial statements. Such information, although not 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.



Muskegon, Michigan

Muskegon Area District Library

Library Management's Discussion and Analysis

Brief Discussion of the Basic Financial Statements

This report consists of three parts -- *management's discussion and analysis (this section), the basic financial statements, and required supplementary information.* The basic financial statements include information that presents two different views of the Library.

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These financial statements focus on current resources and provide a detailed view about the Library's sources and uses of funds.
- The "Adjustments" column of the financial statements represents adjustments necessary to convert the modified accrual statements to the government-wide financial statements under the full accrual method.
- The third column provides both long-term and short-term information about the Library's overall financial status. The "Statement of Net Position" and the "Statement of Activities" provide information about the activities of the Library as a whole and present a longer term view of the Library's finances.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Condensed Financial Information

Statement of Net Position

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

Liabilities increased due to a new accounting standard which required the recording of the net pension liability. This additional liability reduced the unrestricted net position.

Statement of Net Position

	2015	2014
Current assets and other assets	\$ 4,592,342	\$ 4,767,783
Capital assets, net	<u>1,434,064</u>	<u>1,465,336</u>
Total Assets	6,026,406	6,233,119
Deferred outflows of resources	<u>158,432</u>	-
Total assets and deferred outflows of resources	6,184,838	6,233,119
Liabilities	687,613	285,688
Total deferred inflows of resources	<u>2,547,002</u>	<u>2,504,879</u>
Total liabilities and deferred inflows of resources	<u>3,234,615</u>	<u>2,790,567</u>
Net position		
Net investment in capital assets	1,376,494	1,465,336
Unrestricted	<u>1,573,729</u>	<u>1,977,216</u>
Total net position, as restated	<u>\$ 2,950,223</u>	<u>\$ 3,442,552</u>

Muskegon Area District Library

Library Management's Discussion and Analysis

Statement of Activities

The table below shows key financial information under the full accrual method in a condensed format. Amounts and totals reported are for all Library activities, including general operations, improvements, and gift activity in order to give a complete picture.

Statement of Activities

	<u>2015</u>	<u>2014</u>
General revenues		
Property taxes	\$ 2,318,412	\$ 2,302,230
Grants and contributions	111,409	111,475
Fines and forfeitures	286,187	280,353
Other	<u>106,354</u>	<u>90,606</u>
Total revenues	2,822,362	2,784,664
Expenses		
Salaries and wages	1,329,809	1,212,565
Fringe benefits	532,937	493,003
Contracted services	393,143	383,720
Depreciation	345,330	346,111
Other expenses	<u>487,530</u>	<u>385,642</u>
Total expenses	<u>3,088,749</u>	<u>2,821,041</u>
Change in net assets	(266,387)	(36,377)
Net position at beginning of year, as restated	<u>3,216,610</u>	<u>3,478,929</u>
Net position at end of year	<u>\$ 2,950,223</u>	<u>\$ 3,442,552</u>

The following explains some of the significant changes between the prior year and current year:

Revenues

- Property tax revenue showed a slight increase of almost 1% from 2014.
- Penal fines increased for the third year in a row. The increase in 2015 was 2%.
- Other Revenues increased due to increased circulation and activity at branch libraries.

Expenditures

- Salaries and wages increased in 2015 as a new Director was hired in January. MADL also added 2 full-time and 1 part-time positions, two of which were carved out of vacant positions.
- Fringe benefits increased due to higher retirement and health insurance costs.
- Contracted services increased due to higher branch expenditure costs.
- Other expenses increased due to election costs along with various other small increases.

Muskegon Area District Library

Library Management's Discussion and Analysis

The Library's Fund

The analysis of the Library's sole fund, the General Fund, is included on pages 7 and 8. Revenues for 2015 were up slightly by a little over 1%. Expenditures exceeded revenues by approximately 7%.

The Library's Budget Highlights

The Library ended 2015 with an all-time circulation high of 637,532 items as well as continued increases in public visits and programs and attendance. The Library continues to thrive with technological advances and downloadable materials, indicating libraries remain vital in the community.

Over the course of the year, the Library Board amended the budget to address unplanned needs and events that occurred during the year. The amendments to revenues and expenditures are as follows:

Revenues

- Property taxes were amended lower to reflect a 3% decrease in revenues.
- Penal fines were amended higher to reflect a welcome increase in collections.

Expenditures

- Repairs and maintenance costs were amended higher as the copier lease and copy overages resulted in higher than anticipated costs. A new lease agreement for new multi-function equipment was signed in November 2015 and should reflect a more level budget line.
- Professional services were amended upward as MADL's ballot question and a township issue was discerned.
- Contracted services were amended upward as branch expenditure costs came in higher than anticipated.
- Other expenditures were amended upward to account for MADL's millage renewal on the November 3, 2015 ballot.

The following comments summarize the major variations from the final budget to actual revenues and expenditures:

Revenues

- Contributions were higher than anticipated due to several donations as well as a \$30,000 grant from the Alcoa Foundation for Storyville which was passed through to the Community Foundation.

Expenditures

- Salaries and wages and fringe benefits were lower than anticipated due to several budgeted positions being vacant longer than expected. As well, MADL had several long-term employees retire and positions were filled in temporarily with lower-paid staff.
- Contracted services in Administrations budget line were less than anticipated due to budgeted buildouts for a new fiber network that came in under budget.
- Other expenditures came in higher than anticipated due to higher than expected costs associated with the election.
- Capital outlay was higher than anticipated due to the reclassification of an office equipment lease to a capital lease

Muskegon Area District Library

Library Management's Discussion and Analysis

Capital Assets and Debt Administration

At the end of the fiscal year, the Library had \$1,434,064 invested in the building, software, equipment, books and materials net of depreciation. The Library added \$254,661 in new collection items consisting of new books and various audio/visual materials and \$59,397 of new office equipment.

The Library's long-term debt activity consists of capped accumulated employee compensated absences (sick leave) to be paid to eligible employees upon retirement and a capital lease.

Next Year's Anticipated Budget Factors and Currently Known Facts

The Library's budget for 2016 projects a deficit budget for the year, but a positive fund balance at year end. The majority of revenues will come from property taxes and penal fines. The remainder of funds will come from state aid grants to libraries, Universal Service Fund credits, book sale revenues, overdue book fines, lost and damaged book charges, photocopier income and memorial donations from individuals and groups.

It is anticipated that state aid grants to libraries will be maintained at 2015 levels for 2016. State aid grants are a small portion of the Library's overall budget, but are a large portion of the budget for our Blind and Physically Handicapped services. State aid grants are important to library cooperatives and cooperative services to member libraries. Cooperative state aid is anticipated to maintain 2015 levels for 2016.

Penal fines vary from year to year and can only be estimated based upon previous year's receipts. After years of erosion due to a result of alternative sentencing, increased fees, and parallel ordinances passed by local units of government, 2015 reflects another welcome increase for the third year in a row. This is hopefully a good sign of the start of a leveling trend.

Inflation will have an impact on the cost of supply and materials purchases. Wages are also affected by inflation as the library pays a cost of living formula (COLA) in December each year.

Fluctuating gas prices will have an effect on the overall costs of delivery services.

A new Director came on board in January 2015 with a new vision for MADL. The Director will begin Strategic Planning by year end to strengthen and revitalize the organization for better public services.

MADL's ballot proposal failed on November 3, 2015. A second attempt for MADL's ballot proposal will go before the voters on August 2, 2016. A positive outcome is crucial for the survival of the MADL.

Contacting the Library's Financial Management

This financial report is designed to provide a general overview of the Library's finances for all those interested in the Library's finances. If you have any questions about this report or need additional information, contact Kelly Richards, Director at Muskegon Area District Library, 4845 Airline Road, Unit 5, Muskegon, Michigan 49444.

Muskegon Area District Library
BALANCE SHEET—STATEMENT OF NET POSITION
December 31, 2015

	Balance Sheet - Modified Accrual	Adjustments	Statement of Net Position - Full Accrual
ASSETS			
Cash and cash equivalents	\$ 2,356,848	\$ -	\$ 2,356,848
Property taxes receivable	2,103,342	-	2,103,342
Due from other governmental units	108,000	-	108,000
Prepaid items	24,152	-	24,152
Capital assets, net of depreciation			
Nondepreciable	-	164,099	164,099
Depreciable	-	1,269,965	1,269,965
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	-	126,870	126,870
Net other postemployment benefits asset	-	31,562	31,562
	\$ 4,592,342	1,592,496	6,184,838
LIABILITIES			
Accounts payable	\$ 43,946	-	43,946
Accrued liabilities	25,821	-	25,821
Noncurrent liabilities			
Due within one year			
Capital lease and other obligations	-	52,000	52,000
Due in more than one year			
Capital lease and other obligations	-	219,510	219,510
Net pension liability	-	346,336	346,336
	69,767	617,846	687,613
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for subsequent fiscal year	2,547,002	-	2,547,002
	2,616,769	617,846	3,234,615
FUND BALANCE			
Nonspendable - prepaid items	24,152	(24,152)	-
Assigned for subsequent year's budget appropriation	121,851	(121,851)	-
Unassigned	1,829,570	(1,829,570)	-
	1,975,573	(1,975,573)	-
	\$ 4,592,342		
NET POSITION			
Net investment in capital assets		1,376,494	1,376,494
Unrestricted		1,573,729	1,573,729
		\$ 2,950,223	\$ 2,950,223

The accompanying notes are an integral part of this statement.

Muskegon Area District Library
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE—STATEMENT OF ACTIVITIES**
 For the year ended December 31, 2015

	Revenues and Expenditures - Modified Accrual	Adjustments	Statement of Activities - Full Accrual
REVENUES			
Property taxes	\$ 2,318,412	\$ -	\$ 2,318,412
Intergovernmental revenue - State	111,409	-	111,409
Charges for services	15,370	-	15,370
Fines and forfeitures	286,187	-	286,187
Investment earnings	6,928	-	6,928
Contributions	49,107	-	49,107
Reimbursements	18,195	-	18,195
Other	16,754	-	16,754
Total revenues	2,822,362	-	2,822,362
EXPENDITURES			
Current			
Salaries and wages	1,299,244	30,565	1,329,809
Fringe benefits	533,788	(851)	532,937
Operating supplies	51,821	-	51,821
Repairs and maintenance	35,010	-	35,010
Professional services	66,717	-	66,717
Utilities	9,572	-	9,572
Insurance	11,777	-	11,777
Travel	20,010	-	20,010
Contracted services	393,143	-	393,143
Telephone	31,277	-	31,277
Occupancy	9,008	-	9,008
Other	131,960	-	131,960
Debt service			
Principal	1,827	(1,827)	-
Interest and fees	323	-	323
Capital outlay	434,113	(314,058)	120,055
Depreciation	-	345,330	345,330
Total expenditures	3,029,590	59,159	3,088,749
Excess of revenues over (under) expenditures	(207,228)	(59,159)	(266,387)
Other financing sources			
Long-term debt issues	59,397	(59,397)	-
Change in fund balance—net position	(147,831)	(118,556)	(266,387)
Fund balance—net position at January 1, 2015, as restated	2,123,404	1,093,206	3,216,610
Fund balance—net position at December 31, 2015	\$ 1,975,573	\$ 974,650	\$ 2,950,223

The accompanying notes are an integral part of this statement.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Muskegon Area District Library (Library) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Library's accounting policies are described below.

Reporting Entity

The Library was established in October 2005 by a district library agreement between Muskegon County, Blue Lake Township, Casnovia Township, Cedar Creek Township, Dalton Township, Egelston Township, Fruitland Township, Fruitport Charter Township, Village of Fruitport, Holton Township, Laketon Township, City of Montague, Montague Township, Moorland Township, City of Muskegon Heights, Muskegon Charter Township, City of North Muskegon, City of Norton Shores, Ravenna Township, City of Roosevelt Park, Sullivan Township, and White River Township pursuant to the District Library Establishment Act. The district of the Muskegon Area District Library shall consist of all that territory which is located in the jurisdictional limits of Muskegon County except Whitehall Township and those areas located within the jurisdictional boundaries of the White Lake Community Library or the Hackley Public Library. The Library is governed by an eight member Library Board. Participating municipalities are divided into seven regions from which appointments are made in addition to one appointment by Muskegon County at large. The Library is administered by a director appointed by the Board. The Library is primarily funded through a property tax levy on property within the Library district, fines, fees and state aid.

Fruitport Charter Township voters elected to leave the Authority effective December 31, 2016.

Generally accepted accounting principles require that if the Library is considered to be financially accountable over other organizations, those organizations should be included as component units in the Library's financial statements. Since no organizations met this criterion, none are included in the financial statements.

Basis of Presentation—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 Library. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. The Library does not have any business-type activities.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds columns.

The fund financial statements provide information about the Library's governmental funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Since the Library only has one fund, no separate columns have been provided.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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.

The 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, intergovernmental grants, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the Library.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash 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.

Investments for the Library are reported at fair value (generally based on quoted market prices).

The Library has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Library to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Prepaid Items

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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, library books, periodicals, etc. and equipment are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year with exception of library books, periodicals, etc. which are all recorded as capital assets.

As the Library constructs or acquires additional capital assets each period they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property and equipment of the Library are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Years</u>
Building and improvements	5-40
Library books, periodicals, etc.	5
Furniture and equipment	3-10

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the Statement of Net 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.

Net Position Flow Assumption

Sometimes the Library will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Fund Balance Flow Assumptions

Sometimes the Library will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Library itself can establish limitation on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Library's highest level of decision-making authority. The Library Board is the highest level of decision-making authority for the Library that can, by formal action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by formal action remains in place until a similar action is taken (another formal action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as committed. The Library Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

Property Taxes

All trade and property tax receivables are shown net of allowance for uncollectibles.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—Continued

Property Taxes—Continued

Property taxes are collected and forwarded to the Library by the participating municipalities. Taxes are levied and liened on December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollected real property taxes as of the following March 1 are turned over by the Library to the County for collection. The County advances the Library all of these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Library. Taxes levied on December 1 are recorded as receivables and deferred inflows. Taxes are recognized as revenue (and become available for appropriation) in the calendar year following the levy.

The 2014 state taxable value for real/personal property of the Library totaled approximately \$3,081,000,000. The ad valorem taxes levied consisted of .7490 mills for operation.

Compensated Absences

The Library’s employees are granted vacation and sick leave in varying amounts based upon length of service and position. Unused vacation days are paid to employees upon termination.

The liability for these compensated absences is accrued when incurred in the government-wide financial statements. The current portion of this liability is estimated based on historical trends. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The appropriated budget is prepared by individual revenue and expenditure line item. The legal level of budgetary control is the individual line item. The Library Board made several supplemental budgetary appropriations throughout the year.

All annual appropriations lapse at the end of the fiscal year.

For the year ended December 31, 2015, expenditures exceeded appropriations in the following areas:

	Final	Actual	Variance
General Fund:			
Current, other	113,880	131,960	(18,080)
Capital outlay	362,000	434,113	(72,113)

The excess expenditures in these accounts were funded by available fund balance.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE C—DEPOSITS AND INVESTMENTS

Deposit and Investment Risks

Interest Rate Risk

The Library does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments in commercial paper and corporate bonds to the two highest classifications issues by nationally recognized statistical rating organizations. The Library has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The Library does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Library's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk - Deposits

The Library does not have a custodial credit risk policy for deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. As of December 31, 2015, \$1,893,312 of the Library's bank balance of \$2,393,312 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments

The Library does not have a custodial credit risk policy for investments. In an investment, this 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.

Foreign Currency Risk

The Library is not authorized to invest in investments which have this type of risk.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

	Balance January 1, 2015	Additions	Deductions	Balance December 31, 2015
Capital assets, not being depreciated:				
Land	\$ 98,400	\$ -	\$ -	\$ 98,400
Construction in progress	65,699	-	-	65,699
Total capital assets, not being depreciated	164,099	-	-	164,099
Capital assets, being depreciated:				
Building and improvements	550,407	-	-	550,407
Library books, periodicals, etc.	2,940,526	254,661	395,361	2,799,826
Furniture and equipment	347,153	59,397	91,114	315,436
Total capital assets, being depreciated	3,838,086	314,058	486,475	3,665,669
Less accumulated depreciation:				
Building and improvements	58,717	14,981	-	73,698
Library books, periodicals, etc.	2,182,325	295,431	395,361	2,082,395
Furniture and equipment	295,807	34,918	91,114	239,611
Total accumulated depreciation	2,536,849	345,330	486,475	2,395,704
Total capital assets, being depreciated, net	1,301,237	(31,272)	-	1,269,965
Capital assets, net	\$ 1,465,336	\$ (31,272)	\$ -	\$ 1,434,064

NOTE E—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Library for the year ended December 31, 2015:

	Balance January 1, 2015	Additions	Reductions	Balance December 31, 2015	Due Within One Year
Capital lease	\$ -	\$ 59,397	\$ 1,827	\$ 57,570	\$ 12,000
Compensated absences	183,375	93,538	62,973	213,940	40,000
	\$ 183,375	\$ 152,935	\$ 64,800	\$ 271,510	\$ 52,000

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

NOTE E—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

	Interest Rate	Date of Maturity	Balance
Capital lease	3.295%	October 2020	\$ 57,570

The annual requirements of principal and interest to amortize the capital lease outstanding as of December 31, 2015 follow:

Year Ending December 31,	Principal	Interest	Total
2016	\$ 11,172	\$ 1,729	\$ 12,901
2017	11,546	1,355	12,901
2018	11,932	969	12,901
2019	12,331	570	12,901
2020	10,589	161	10,750
	\$ 57,570	\$ 4,784	\$ 62,354

NOTE F—OTHER INFORMATION

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 for which the Library carries commercial insurance. Liabilities in excess of insurance are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There have been no losses in excess of insurance in the prior three years.

Community Foundation

The Community Foundation for Muskegon County has established various endowment funds for the Library which have not been included in the financial statements. These funds are accounted for and administered by the Community Foundation for Muskegon County. At December 31, 2015, these funds were valued at approximately \$296,000.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE G—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Defined Benefit Pension Plan – MERS

Plan Description

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

Benefits Provided

The Library's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. Public Act 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. The Plan covers all full-time employees hired after March 2001.

Benefits provided by the plan have a multiplier of 2.5%. Vesting period is 10 years. Normal retirement age is 60 with a reduced retirement at age 50 with 25 years of service or age 55 with 15 years of service. Final average compensation is calculated based on 5 years.

Employees Covered by Benefit Terms

At December 31, 2014 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>15</u>
Total employees covered by MERS	<u><u>19</u></u>

Contributions

The Library 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. The Library may establish contribution rates to be paid by its covered employees.

For the year ended December 31, 2015, the Library's contributions rate was 13.24% based on annual covered payroll. Employees are not required to contribute.

Net Pension Liability

The Library's net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

NOTE G—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Defined Benefit Pension Plan—MERS—Continued

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3 - 4 percent
Salary increases	4.5 percent, in the long-term (1 percent, 2 percent and 3 percent) for the calendar years 2014, 2015, and 2016, respectively)
Investment rate of return	8 percent, net of administrative and investment expenses

Although no specific price inflation assumptions are needed for the valuation, the 4.5 percent long-term wage inflation assumption would be consistent with a price inflation of 3-4 percent. Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50 percent Male and 50 percent Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008. (MERS Retirement Board is currently conducting an actuarial experience study covering the period from January 1, 2009 through December 31, 2013.)

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
Global equity	57.5%	5.02%
Global fixed income	20.0%	2.18%
Real assets	12.5%	4.23%
Diversifying strategies	10.0%	6.56%

Discount Rate

The discount rate used to measure the total pension liability was 8.25 percent for 2014 and will be 8 percent in 2015 and thereafter. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Library contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE G—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Defined Benefit Pension Plan—MERS—Continued

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2013	\$ 1,833,866	\$ 1,520,345	\$ 313,521
Changes for the year			
Service costs	77,868	-	77,868
Interest	152,562	-	152,562
Contributions - employer	-	87,579	(87,579)
Contributions - employee		15,682	(15,682)
Net investment income	-	97,980	(97,980)
Administrative expenses	-	(3,626)	3,626
Benefit payments including refund of employee contributions	(47,128)	(47,128)	-
Net Changes	183,302	150,487	32,815
Balance at December 31, 2014	\$ 2,017,168	\$ 1,670,832	\$ 346,336

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 8.25 percent, as well as what the Library's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.25 percent) or 1-percentage-point higher (9.25 percent) than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Library's net pension liability	\$ 557,548	\$ 346,336	\$ 163,386

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

NOTE G—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Defined Benefit Pension Plan—MERS—Continued

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

For the year ended December 31, 2015, the Library recognized pension expense of \$112,753. At December 31, 2015, 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
Excess (deficit) investment returns	\$ 23,730	\$ -
Contributions subsequent to the measurement date*	103,140	-
Total	\$ 126,870	\$ -

*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 December 31, 2016.

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

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

Year Ending December 31,	Amount
2016	\$ 5,933
2017	5,933
2018	5,933
2019	5,931

Payables to the Pension Plan

At December 31, 2015 the Library had no payable to the defined benefit pension plan.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

NOTE H—OTHER POSTEMPLOYMENT BENEFITS

Retiree Healthcare Plan

Plan Description

The Library has a retiree healthcare funding vehicle (Retiree Healthcare Plan) administered by the Municipal Employees Retirement System (MERS), an agent multiple-employer postemployment healthcare plan (OPEB). The Retiree Healthcare Plan is established under the authority of section 115 of the IRS code and is exempt from taxation. The Retiree Healthcare Plan provides health insurance to eligible retirees and their spouses. Act No. 149 of the Public Acts of 1999 of the State of Michigan assigns the authority to establish and amend the benefit provisions of the Retiree Healthcare Plan to the respective employer entities; that authority rests with the Library. A copy of the complete financial report and required supplemental information can be obtained by writing to:

Muskegon Area District Library
 4845 Airline Road
 Muskegon, MI 49444

Funding Policy

Employees hired prior to October 2010 participate in the Retiree Healthcare Plan. Plan members are not required to contribute to the Plan. The contribution requirements of plan members and the Library are established and may be amended by the Library Board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Library. For the year ended December 31, 2015, the Library contributed \$28,548 to the Retiree Healthcare Plan.

Annual OPEB Cost and Net OPEB Obligation

The Library's OPEB expense is calculated based on the ARC, an actuarially-determined amount. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Library's annual OPEB cost for the year, the amount actually contributed to the Retiree Healthcare Plan, and changes in the Library's net OPEB obligation:

Annual required contribution	\$ 33,703
Interest on net OPEB obligation	(2,789)
Adjustment to annual required contribution	3,259
Net OPEB cost	34,173
Payments made to or on behalf of retirees	-
Contributions made to OPEB trust	(28,548)
Decrease in net OPEB asset	(5,625)
Net OPEB asset at beginning of year	37,187
Net OPEB asset at end of year	\$ 31,562

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

NOTE H—OTHER POSTEMPLOYMENT BENEFITS—Continued

Trend Information

OPEB - TREND INFORMATION

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Asset</u>
12/31/13	\$ 33,161	147 %	\$ 41,923
12/31/14	35,485	87	37,187
12/31/15	34,173	83	31,562

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the Retiree Healthcare Plan as understood by the employer and Retiree Healthcare Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of Retiree Healthcare Plan members not contributing to the Retiree Healthcare Plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The required contribution was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.5 percent investment rate of return (net of administrative expenses), (b) an annual healthcare trend rate of 4 percent initially, reduced by decrements to an ultimate rate of 0 percent after 4 years. Both rates include a 5 percent inflation assumption. The OPEB Plan's unfunded actuarial accrued liability is being amortized as a projected unit credit - level dollar on a closed basis. The remaining amortization period at December 31, 2013 is 27 years.

Funded Status and Progress

As of December 31, 2013, the most recent actuarial valuation date, the Retiree Healthcare Plan was 99 percent funded. The actuarial accrued liability for benefits was approximately \$494,000, and the actuarial value of assets was approximately \$487,000, resulting in an unfunded actuarial liability (UAAL) of approximately \$7,000. The covered payroll (annual payroll of active employees covered by the Retiree Healthcare Plan) was approximately \$508,000, and the ratio of the UAAL to the covered payroll was 1 percent.

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

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

NOTE I—CHANGE IN ACCOUNTING PRINCIPLE

The net position of the governmental activities was restated to reflect the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement No. 68 changed how governments measure and report the long-term obligations and annual costs associated with the pension benefits they provide. GASB Statement No. 71 addressed the issue of contributions made to the defined benefit pension plan after the measurement date for the year in which GASB Statement No. 68 is implemented.

The restatement of the beginning of the year net position is as follows:

	Governmental Activities
Net position at January 1, 2015	\$ 3,442,552
Deferred outflows of resources - related to pension	87,579
Net pension liability	(313,521)
Net position at January 1, 2015, as restated	\$ 3,216,610

NOTE J—UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement 75—*Accounting and Financial Reporting for Postemployment Benefits other than Pensions* was issued by the GASB in June 2015 and will be effective for the Library’s 2018 fiscal year. The statement requires governments that participate in postemployment benefits other than pensions (OPEB) to report in their Statement of Net Position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Cost-sharing employers will be required to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The net OPEB liability recorded in the Statement of Net Position on July 1, 2017 will be very significant.

Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

**NOTE K—RECONCILIATION OF GENERAL FUND FINANCIAL STATEMENTS TO
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Total fund balance—governmental fund \$ 1,975,573

Amounts reported for governmental activities in the
Statement of Net Position are different because:

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

Cost of capital assets	\$3,829,768	
Accumulated depreciation	<u>(2,395,704)</u>	1,434,064

Deferred outflows of resources related to
pensions are not reported in the governmental funds.

Deferred outflows of resources - related to pensions	126,870
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The net other postemployment benefits asset is not an available resource
and, therefore, is not reported in the governmental fund

31,562

Long-term obligations in governmental activities are not due
and payable in the current period and are not reported in the
governmental funds.

Capital lease	(57,570)	
Compensated absences	(213,940)	
Net pension liability	<u>(346,336)</u>	<u>(617,846)</u>

Net position of governmental activities	<u><u>\$ 2,950,223</u></u>
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Muskegon Area District Library
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

**NOTE K—RECONCILIATION OF GENERAL FUND FINANCIAL STATEMENTS TO
GOVERNMENT-WIDE FINANCIAL STATEMENTS—Continued**

Net change in fund balance—total governmental fund \$ (147,831)

Amounts reported for government activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets 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.

Depreciation expense	\$ (345,330)	
Capital outlay	314,058	(31,272)

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 governmental funds.

Change in net other postemployment benefits	(5,625)	
Change in compensated absences	(30,565)	(36,190)

The issuance of long-term debt provides current financial resources to governmental funds, but increases liabilities in the Statement of Net Position. Repayment of debt is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position.

Issuance of long-term debt	(59,397)	
Repayment of principal on long-term debt	1,827	(57,570)

Some pension related 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 governmental funds.

	6,476	
Change in net position in governmental activities	\$ (266,387)	

REQUIRED SUPPLEMENTARY INFORMATION

Muskegon Area District Library
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
For the year ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Property taxes	\$ 2,394,879	\$ 2,315,408	\$ 2,318,412	\$ 3,004
Intergovernmental revenues - State	111,440	111,411	111,409	(2)
Charges for services	8,600	13,600	15,370	1,770
Fines and forfeitures	282,088	287,262	286,187	(1,075)
Interest and rentals	10,000	8,000	6,928	(1,072)
Contributions	5,000	5,000	49,107	44,107
Reimbursements	18,000	20,000	18,195	(1,805)
Other	19,000	13,000	16,754	3,754
Total revenues	2,849,007	2,773,681	2,822,362	48,681
Expenditures				
Current				
Salaries and wages	1,319,404	1,354,841	1,299,244	55,597
Fringe benefits	573,900	582,585	533,788	48,797
Operating supplies	54,500	60,000	51,821	8,179
Repairs and maintenance	32,000	50,000	35,010	14,990
Professional services	37,200	62,344	66,717	(4,373)
Utilities	14,700	14,700	9,572	5,128
Insurance	19,100	14,290	11,777	2,513
Travel	14,750	19,250	20,010	(760)
Contracted services	402,734	411,854	393,143	18,711
Telephone	39,350	30,677	31,277	(600)
Occupancy	12,000	10,000	9,008	992
Other	97,220	113,880	131,960	(18,080)
Debt service				
Principal	-	-	1,827	(1,827)
Interest and fees	-	-	323	(323)
Capital outlay	354,000	362,000	434,113	(72,113)
Total expenditures	2,970,858	3,086,421	3,029,590	56,831
Excess of revenues over (under) expenditures	(121,851)	(312,740)	(207,228)	(105,512)
Other financing sources				
Long-term debt issues	-	-	59,397	59,397
Net change in fund balance	<u>\$ (121,851)</u>	<u>\$ (312,740)</u>	(147,831)	<u>\$ (164,909)</u>
Fund balance at January 1, 2015			<u>2,123,404</u>	
Fund balance at December 31, 2015			<u>\$ 1,975,573</u>	

Muskegon Area District Library
 Required Supplementary Information
SCHEDULE OF FUNDING PROGRESS—OTHER POST-EMPLOYMENT BENEFITS
 For the year ended December 31, 2015

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/07	\$ 140,083	\$ 669,897	\$ 529,814	21 %	\$ 441,045	120 %
12/31/10	234,312	367,951	133,639	64	534,791	25
12/31/13	486,817	493,652	6,835	99	508,041	1

Muskegon Area District Library
 Required Supplementary Information
SCHEDULE OF THE LIBRARY'S CONTRIBUTIONS
 For the year ended December 31, 2015

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 75,008	\$ 77,868	\$ 72,000	\$ 63,000	\$ 68,000	\$ 61,000	\$ 71,000	\$ 57,354	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	75,008	77,868	72,000	63,000	68,000	61,000	71,000	57,354	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 670,473	\$ 670,473	\$ 661,171	\$ 670,705	\$ 690,874	\$ 615,627	\$ 589,873	\$ 527,187	\$ -	\$ -
Contributions as percentage of covered employee payroll	11.2%	11.6%	10.9%	9.4%	9.8%	9.9%	12.0%	10.9%	-	-

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, Closed
Remaining amortization period	24 years
Asset Valuation method	10-year smoothed market
Inflation	3 - 4 percent
Salary increases	4.50 percent in the long-term (wage inflation); 0 - 13 percent merit and longevity
Investment rate of return	8 percent, net of investment and administrative expenses
Retirement age	Varies depending on plan adoption
Mortality	50 percent Female/50 percent Male 1994 Group Annuity Mortality Table

Muskegon Area District Library
Required Supplementary Information
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
For the year ended December 31, 2015

	2014
TOTAL PENSION LIABILITY	
Service cost	\$ 77,868
Interest	152,562
Benefit payments, including refunds of employee contributions	(47,128)
Net change in total pension liability	183,302
Total pension liability at beginning of year	1,833,866
Total pension liability at end of year (a)	\$ 2,017,168
PLAN FIDUCIARY NET POSITION	
Contributions-employer	\$ 87,579
Contributions-employee	15,682
Net investment income	97,980
Benefit payments, including refunds or employee contributions	(47,128)
Administrative expense	(3,626)
Net change in plan fiduciary net position	150,487
Plan fiduciary net position at beginning of year	1,520,345
Plan fiduciary net position at end of year (b)	\$ 1,670,832
Library's net pension liability at end of year (a)-(b)	\$ 346,336
Plan fiduciary net position as a percentage of the total pension liability	82.83%
Covered employee payroll	\$ 670,473
Library's net pension liability as a percentage of covered employee payroll	51.66%

Notes to Schedule

Additional actuarial data is not available and will be provided in subsequent years.