

HOWELL CARNEGIE DISTRICT LIBRARY

FINANCIAL REPORT

June 30, 2025

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
 Howell Carnegie District Library
 Howell, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Howell Carnegie District Library (the Library), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Howell Carnegie District 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, each major fund, and the aggregate remaining fund information of the Howell Carnegie District Library, as of June 30, 2025, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Howell Carnegie District 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.

PRINCIPALS

Raymond H. Cooper, Jr., CPA, CFP
 Gregory D. Clum, CPA, CGFM

MEMBERS

Michigan Association of Certified Public Accountants
 American Institute of Certified Public Accountants

ADDRESS

109 West Clinton Street
 Howell, Michigan 48843

To the Board of Trustees
Howell Carnegie District Library

Responsibilities of Management for the Financial Statements (Concluded)

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 Howell Carnegie District 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.

Auditors' 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Howell Carnegie District 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.

To the Board of Trustees
Howell Carnegie District Library

**Auditors' Responsibilities for the Audit of the Financial Statements
(Concluded)**

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Howell Carnegie District 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, budgetary comparison schedules, schedule of changes in employer's net pension liability (asset) and related ratios, schedule of employer contributions, and notes to required supplementary information 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Howell Carnegie District Library's basic financial statements. The combining governmental funds balance sheet and combining statement of governmental revenues, expenditures, and changes in fund balances are presented for purposes of additional analysis and are not a required part of the basic financial statements.

To the Board of Trustees
Howell Carnegie District Library

Supplementary Information (Concluded)

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining governmental funds balance sheet and combining statement of governmental revenues, expenditures, and changes in fund balances are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Bredernitz, Wagner & Co., P.C.

Howell, Michigan
October 24, 2025

HOWELL CARNEGIE DISTRICT LIBRARYMANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2025

(Unaudited)

Using this Annual Report

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

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. These statements show how these services were financed in the short term as well as what remains for future spending.

The fund financial statements present a short-term view; they tell us how taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Library in more detail than the government-wide financial statements by providing information about the Library's most significant funds.

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* and *other supplementary information* that further explains and supports the information in the financial statements.

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HOWELL CARNEGIE DISTRICT LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2025

(Unaudited)

Condensed Financial Information

The table below shows key financial information in a condensed comparative format for the fiscal years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Assets		
Current assets	\$ 10,452,708	9,320,153
Capital assets, net	5,908,666	5,831,710
Subscription assets, net	200,709	103,341
Net pension asset	10,888	-
	<u>16,572,971</u>	<u>15,255,204</u>
Deferred outflows of resources	<u>387,784</u>	<u>555,090</u>
Liabilities		
Current liabilities	505,489	356,936
Noncurrent liabilities	1,673,936	1,794,413
	<u>2,179,425</u>	<u>2,151,349</u>
Deferred inflows of resources	<u>120,205</u>	<u>207,167</u>
Net Position		
Invested in capital assets	4,373,224	4,111,710
Restricted, expendable	41,151	43,945
Restricted, nonexpendable	757,112	684,283
Unrestricted	9,489,638	8,611,840
	<u>\$ 14,661,125</u>	<u>13,451,778</u>
Revenues		
Program revenues		
Library services and fines	\$ 21,470	18,900
Contributions	30,663	31,225
General revenues		
Property taxes	3,567,902	3,337,683
State grants	117,475	118,839
State penal fines	127,988	121,354
Investment and interest income	370,856	356,949
Change in value of beneficial interest in assets held by Community Foundation for Southeast Michigan	72,829	76,127
Loss on capital asset disposals	(1,340)	-
Other revenue	644	917
	<u>4,308,487</u>	<u>4,061,994</u>
Program expenses		
Library services/operations	<u>3,099,140</u>	<u>2,870,266</u>
Change in net position	<u>\$ 1,209,347</u>	<u>1,191,728</u>

HOWELL CARNEGIE DISTRICT LIBRARYMANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2025

(Unaudited)

The Library as a Whole

- The Library reports net position of \$14,661,125 and \$13,451,778 on a full accrual basis, as compared to a fund balance of \$10,256,511 and \$9,281,771 on the modified accrual basis of accounting for the years ended June 30, 2025 and 2024, respectively.
- The Library's primary source of revenue is from property taxes. Total tax collections were \$3,567,902 and \$3,337,683, representing 82.8% and 82.2% of total revenues on the full accrual basis of accounting for the years ended June 30, 2025 and 2024, respectively.
- Personnel services including salaries and wages, payroll taxes, employee benefits, and workers compensation insurance are the largest overall expenditure of the Library. These expenditures were \$1,596,894 and \$1,499,916, representing 51.5% and 52.3% of the Library's total expenditures on the full accrual basis of accounting for the years ended June 30, 2025 and 2024, respectively.
- Depreciation expense of \$540,100 and \$560,138 represents 17.4% and 19.5% of the Library's total expenditures on the full accrual basis of accounting for the years ended June 30, 2025 and 2024, respectively.
- Total expenditures under the modified accrual basis of accounting were \$3,335,087 and \$2,800,582 for the years ended June 30, 2025 and 2024, respectively.

The Library's Funds

Our analysis of the Library's funds are included on pages 11-13 in the governmental fund financial statements and are presented on a modified accrual basis, which is a short-term perspective measuring the flow of financial resources, not the Library's operations on a full accrual basis of accounting, which provides a longer-term measurement of total economic resources. The General Fund and Special Revenue Fund are considered major funds for the year ended June 30, 2025. The Endowment Fund and Debt Service Fund are considered nonmajor funds for the year ended June 30, 2025. The overall fund balance of the Library increased \$974,740 during the year ended June 30, 2025. This increase represents revenues in excess of expenses.

HOWELL CARNEGIE DISTRICT LIBRARYMANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2025

(Unaudited)

Library Budgetary HighlightsRevenues

- Property tax revenues increased \$230,219, or 6.9%, over the June 30, 2024 fiscal year amount.
- Total revenues in the General Fund increased \$249,029, or 6.3%, over the June 30, 2024 fiscal year amount.

The June 30, 2025 budgeted revenue (minus fund balance revenue) for the General Fund was \$3,807,007. The actual audited revenue for the General Fund was \$4,174,483. This is \$367,476, or 9.7%, higher than was budgeted.

The June 30, 2025 budgeted revenue for the Special Revenue Fund was \$38,100. The actual audited revenue for the Special Revenue Fund was \$62,515. This is \$24,415, or 64.1%, higher than was budgeted.

Expenditures

- The June 30, 2025 General Fund expenditures increased \$541,341, or 21.1%, over the June 30, 2024 fiscal year amount.

Budgeted expenditures were amended as follows during the fiscal year:

	Final Budget	Original Budget	Increase
Personnel services	\$ 1,832,405	1,739,405	93,000
Information technology	227,570	225,703	1,867
Capital outlay	623,495	332,500	290,995

The June 30, 2025 budgeted expenditures for the General Fund (minus transfers out) were \$4,162,169. The actual audited General Fund expenditures were \$3,105,649. This is \$1,056,520, or 25.4%, lower than the budgeted amount.

The June 30, 2025 budgeted expenditures for the Special Revenue Fund were \$41,100. The actual audited Special Revenue Fund expenditures were \$12,338. This is \$28,762, or 70.0%, lower than the budgeted amount.

HOWELL CARNEGIE DISTRICT LIBRARYMANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended June 30, 2025

(Unaudited)

Capital Assets and Debt Administration

At the end of the fiscal year, the Library had \$5,908,666 (net of accumulated depreciation) invested in land, buildings and improvements, equipment, furniture and fixtures, technology and software, and library materials. The Library added \$149,422 in Library materials consisting of new books, various audio/visual materials, and additions to the Library of Things. The Library also added \$89,846 in new furniture additions or upgrades to existing furniture, \$30,377 for painting the interior and exterior of the building, \$9,819 to replace the blower motor and wheel on the HVAC unit, \$1,867 for power towers, \$311,261 for in-progress construction related to entry steps and ramp work, \$14,450 for in-progress electrical and lounge renovations, and \$11,354 for a deposit on a new phone system, bringing the total capital asset additions during the fiscal year ended June 30, 2025 to \$618,396.

The Library's long-term debt activity consists of accumulated compensated absences (sick leave) to be paid to eligible employees if they are sick or qualified for retirement, liabilities related to subscription-based information technology arrangements, and Library building bonds due in annual principal payments maturing on June 1, 2033.

Next Year's Budget and Millage Rates

The June 30, 2026 General Fund tax revenues are estimated to increase by \$229,894, or 6.4%, more than June 30, 2025 audited tax revenues. The June 30, 2026 General Fund total revenues (minus fund balance revenue) are estimated to decrease by \$179,951, or 4.3%, less than June 30, 2025 audited revenues. Because conservative estimates are used, past history shows that actual revenues are generally higher than the budgeted revenues.

The June 30, 2026 General Fund budget includes \$739,425 of prior year fund balance usage.

The June 30, 2026 General Fund expenditures (minus transfers out) are budgeted to increase by \$1,211,122, or 39.0%, more than the June 30, 2025 audited expenditures. Because estimated expenditures plan for some "worse case scenarios," past history shows that actual expenditures are generally lower than the budgeted expenditures.

The June 30, 2026 General Fund budget includes \$500,000 for capital improvement projects.

HOWELL CARNEGIE DISTRICT LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Concluded)
For the Year Ended June 30, 2025

(Unaudited)

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, patrons, and donors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the director, Holly Ward Lamb, at (517) 546-0720.

HOWELL CARNEGIE DISTRICT LIBRARY
GOVERNMENTAL FUNDS BALANCE SHEET/ STATEMENT OF NET POSITION
JUNE 30, 2025

	General Fund	Special Revenue Fund	Nonmajor Funds	Total Funds	Adjustments (Note 12)	Statement of Net Position
Assets						
Current assets						
Cash and cash equivalents (Note 2)	\$ 7,227,351	536,845	-	7,764,196	-	7,764,196
Investments (Note 2)	1,273,302	336,762	-	1,610,064	-	1,610,064
Accounts receivable	3,918	4,881	-	8,799	-	8,799
Accrued interest receivable	89	-	-	89	-	89
Due from other governments	160,292	-	-	160,292	-	160,292
Prepays	171,578	-	-	171,578	(19,422)	152,156
Beneficial interest in assets held by Community Foundation for Southeast Michigan (Note 3)	-	-	757,112	757,112	-	757,112
Due from (to) other funds	4,341	(4,341)	-	-	-	-
Total current assets	8,840,871	874,147	757,112	10,472,130	(19,422)	10,452,708
Noncurrent assets						
Capital assets, net of accumulated depreciation (Note 4)	-	-	-	-	5,908,666	5,908,666
Subscription assets, net of accumulated amortization (Note 5)	-	-	-	-	200,709	200,709
Net pension asset (Note 11)	-	-	-	-	10,888	10,888
Total noncurrent assets	-	-	-	-	6,120,263	6,120,263
Total assets	\$ 8,840,871	874,147	757,112	10,472,130	6,100,841	16,572,971
Deferred outflows of resources						
Deferred outflows of resources related to pension (Note 11)	-	-	-	-	387,784	387,784

The notes to financial statements are an integral part of this statement.

HOWELL CARNEGIE DISTRICT LIBRARY
GOVERNMENTAL FUNDS BALANCE SHEET/ STATEMENT OF NET POSITION (Concluded)
JUNE 30, 2025

	General Fund	Special Revenue Fund	Nonmajor Funds	Total Funds	Adjustments (Note 12)	Statement of Net Position
Liabilities						
Current liabilities						
Accounts payable	\$ 132,709	870	-	133,579	-	133,579
Accrued liabilities	82,040	-	-	82,040	-	82,040
Accrued interest payable	-	-	-	-	3,888	3,888
Current portion of compensated absences (Note 6)	-	-	-	-	56,257	56,257
Current portion of subscription liabilities (Note 5)	-	-	-	-	59,725	59,725
Current portion of long-term debt (Note 6)	-	-	-	-	170,000	170,000
Total current liabilities	214,749	870	-	215,619	289,870	505,489
Noncurrent liabilities						
Noncurrent portion of compensated absences (Note 6)	-	-	-	-	167,510	167,510
Noncurrent portion of subscription liabilities (Note 5)	-	-	-	-	121,426	121,426
Noncurrent portion of long-term debt (Note 6)	-	-	-	-	1,385,000	1,385,000
Total noncurrent liabilities	-	-	-	-	1,673,936	1,673,936
Total liabilities	214,749	870	-	215,619	1,963,806	2,179,425
Deferred inflows of resources						
Deferred inflows of resources related to pension (Note 11)	-	-	-	-	120,205	120,205
Fund balances/net position						
Fund balances						
Nonspendable (Note 10)	171,578	-	757,112	928,690	(928,690)	-
Restricted (Note 10)	-	41,151	-	41,151	(41,151)	-
Committed (Note 10)	2,512,715	-	-	2,512,715	(2,512,715)	-
Assigned (Note 10)	921,463	832,126	-	1,753,589	(1,753,589)	-
Unassigned (Note 10)	5,020,366	-	-	5,020,366	(5,020,366)	-
Total fund balances	8,626,122	873,277	757,112	10,256,511	(10,256,511)	-
Total liabilities and fund balances	\$ 8,840,871	874,147	757,112	10,472,130		
Net position						
Invested in capital assets (Note 9)					4,373,224	4,373,224
Restricted, expendable (Note 9)					41,151	41,151
Restricted, nonexpendable (Note 9)					757,112	757,112
Unrestricted					9,489,638	9,489,638
Total net position					14,661,125	14,661,125

The notes to financial statements are an integral part of this statement.

HOWELL CARNEGIE DISTRICT LIBRARY
STATEMENT OF GOVERNMENTAL REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

	General Fund	Special Revenue Fund	Nonmajor Funds	Total Funds	Adjustments (Note 12)	Statement of Activities
Revenues						
Property taxes	\$ 3,567,902	-	-	3,567,902	-	3,567,902
State grants	117,475	-	-	117,475	-	117,475
State penal fines	127,988	-	-	127,988	-	127,988
Charges for services	15,772	-	-	15,772	-	15,772
Fines and forfeits	5,698	-	-	5,698	-	5,698
Investment and interest income (Note 2)	339,004	31,852	-	370,856	-	370,856
Change in value of beneficial interest in assets held by Community Foundation for Southeast Michigan (Note 3)	-	-	72,829	72,829	-	72,829
Contributions	-	30,663	-	30,663	-	30,663
Loss on capital asset disposals	-	-	-	-	(1,340)	(1,340)
Other revenue	644	-	-	644	-	644
Total revenues	4,174,483	62,515	72,829	4,309,827	(1,340)	4,308,487
Expenditures						
Personnel services	1,588,404	-	-	1,588,404	8,490	1,596,894
Library supplies	28,533	6,822	-	35,355	(2,271)	33,084
Other services and charges	55,155	62	-	55,217	-	55,217
Professional and contractual services	86,114	-	-	86,114	-	86,114
Building and maintenance	213,616	-	-	213,616	-	213,616
Materials and programming	489,187	-	-	489,187	(147,151)	342,036
Information technology	181,120	-	-	181,120	(729)	180,391
Capital outlay	463,520	5,454	-	468,974	(468,974)	-
Debt service	-	-	217,100	217,100	(165,412)	51,688
Depreciation	-	-	-	-	540,100	540,100
Total expenditures	3,105,649	12,338	217,100	3,335,087	(235,947)	3,099,140
Excess of revenues over (under) expenditures/change in net position	1,068,834	50,177	(144,271)	974,740	234,607	1,209,347
Other financing sources (uses) Transfers between funds (Note 7)	(217,100)	-	217,100	-	-	-
Change in fund balances/net position	851,734	50,177	72,829	974,740	234,607	1,209,347
Fund balances/net position - beginning of year	7,774,388	823,100	684,283	9,281,771	4,170,007	13,451,778
Fund balances/net position - end of year	<u>\$ 8,626,122</u>	<u>873,277</u>	<u>757,112</u>	<u>10,256,511</u>	<u>4,404,614</u>	<u>14,661,125</u>

The notes to financial statements are an integral part of this statement.

HOWELL CARNEGIE DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS

Note 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity:

The Howell Carnegie District Library (the Library) was organized in 1988 under the provisions of the Michigan District Library Establishment Act, Public Act 24 of 1989, to serve the City of Howell, along with the following townships encompassed in the Howell Public School District: Brighton, Cohoctah, Deerfield, Genoa, Hamburg, Handy, Howell, Iosco, Marion, and Oceola. Public Act 24 defines the Library's legal status as "an Authority under Section 6 of Article IX of the State Constitution of 1963" thereby classifying the Library as a Michigan Municipal Corporation. The governing body of the Library is a board which is comprised of seven members, four appointed by the Howell Public School District Board of Commissioners, and three appointed by the City of Howell City Council.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting unit. Based on these criteria, there are no component units of the Library that are to be included in the reporting entity.

Measurement focus:

The governmental fund financial statements (i.e., the governmental fund balance sheet and the statement of governmental revenues, expenditures, and changes in fund balance) are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the governmental fund balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

HOWELL CARNEGIE DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Basis of accounting:

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The length of time used to define "available" for purposes of revenue recognition in the governmental fund financial statements is sixty days. Revenues susceptible to accrual include property taxes, state aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are recorded when due.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned, and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. If/when both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund financial statements:

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Library, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds which are maintained in accordance with the activities or objectives specified.

HOWELL CARNEGIE DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Fund financial statements (concluded):

The financial activities of the Library are recorded in the following funds.

Major funds:

The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library except for those that are required to be accounted for in another fund.

The Special Revenue Fund accounts for financial resources related to contributions and memorials of the Library.

Nonmajor funds:

The Endowment Fund accounts for resources that are restricted to the extent that only earnings, and not principal, may be used to support the Library's programs.

The Debt Service Fund accounts for financial resources related to paying the principal, interest, and fees on the bond issue.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents:

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

HOWELL CARNEGIE DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Prepaid expenses:

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

Capital assets:

Capital assets are recorded (net of accumulated depreciation) in the government-wide financial statements. The Library capitalizes assets with an initial cost of at least \$5,000 or several similar assets with a combined initial cost of at least \$5,000 and an estimated useful life exceeding one year, as well as all Library materials consisting of books, audiovisual materials, and other physical materials in circulation. Such assets are recorded at cost, if purchased, or at fair market value at the date of gift, if donated. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	10-50 years
Equipment	5-15 years
Furniture and fixtures	10-20 years
Materials	3-7 years
Technology and software	5-15 years

Subscription-based information technology arrangements:

The Library recognizes a subscription liability and an intangible right-of-use subscription asset in the government-wide financial statements for each subscription-based information technology arrangement (SBITA) with a subscription term exceeding twelve months.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

HOWELL CARNEGIE DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Subscription-based information technology arrangements
(concluded):

The subscription term includes the period during which the Library has a noncancellable right to use the underlying IT assets, and also includes periods covered by an option to extend (if it is reasonably certain that the Library or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the Library or SBITA vendor will not exercise that option).

At the commencement of a subscription, the Library measures the subscription liability at the present value of payments expected to be made during the subscription term, discounted using the Library's estimated incremental borrowing rate. The subscription asset is initially measured at the initial amount of the subscription liability, adjusted for subscription payments made on or before the subscription commencement date, plus initial implementation costs. The subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying assets.

Compensated absences:

Library employees are granted vacation and sick leave in varying amounts based on length of service. Vacation time lapses on the employee's anniversary date one year from the date earned. A maximum of 720 hours of unused accumulated sick leave will be paid upon death or official retirement of an employee. Unused vacation leave, and unused sick leave, up to the maximum payout accrual, has been recorded as a liability on the statement of net position.

Deferred outflows/inflows of resources:

In addition to assets, the governmental fund balance sheet and statement of net position report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of fund balance and net position that applies to a future period and, accordingly, will not be recognized as an expense until that time.

HOWELL CARNEGIE DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Deferred outflows/inflows of resources (concluded):

In addition to liabilities, the governmental fund balance sheet and statement of net position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of fund balance and net position that applies to a future period and, accordingly, will not be recognized as revenue until that time.

The Library's deferred outflows of resources and deferred inflows of resources relate to the net pension liability.

Fund equity:

In the fund financial statements, the governmental fund balances are presented in five possible categories:

Nonspendable – resources which cannot be spent because they are either 1) not in spendable form or; 2) legally or contractually required to be maintained intact.

Restricted – resources with constraints placed on the use of resources which are either 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation.

Committed – resources which are subject to limitations the Library imposes upon itself at its highest level of decision making and that remain binding unless the limitations are removed in the same manner.

Assigned – resources neither restricted nor committed for which the Library has a stated intended use as established by the Library Board or a body or official to which the Library Board has delegated the authority to assign amounts for specific purposes.

Unassigned – resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports an unassigned fund balance amount.

HOWELL CARNEGIE DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Fund balance classification policies and procedures:

For committed fund balance, the Library's highest level of decision-making authority is the Library Board of Trustees. A majority vote is required to approve a commitment, and a two-thirds majority vote is required to remove a commitment.

For assigned fund balance, the Library Director or designee is authorized to assign amounts for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any fund.

When an expenditure is incurred for which various fund balance classifications can be used, the Library's policy considers amounts to be spent in the following order: restricted, committed, assigned, and unassigned.

The Library maintains a minimum of nine months of operating expenditures in the unassigned fund balance in the General Fund to ensure cash availability when required payments are due. When the unassigned fund balance falls below the minimum of nine months of operating expenditures, the Library will reduce recurring expenditures or pursue other funding sources to replenish the funds to the minimum level within a reasonable time frame, typically two years.

Restricted net position:

Restrictions of net position shown in the government-wide financial statements indicate restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes.

Property taxes:

On December 1, the participating townships and the City of Howell levy and collect property taxes for the Library. The tax levies are due February 14, with the final collection date of February 28. As the Library tax is collected, it is remitted by the city and township treasurers. On March 1 each year, the city and townships settle their respective delinquent taxes with the county treasurer, and the unpaid real property tax is remitted to the Library by the county treasurer in Livingston County.

HOWELL CARNEGIE DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Concluded)

Property taxes (concluded):

The 2024 total taxable value for the property within the district was \$3,528,411,880 on which ad valorem taxes of 1.0232 mills were levied. These taxes were collected and recognized as revenue during the year ended June 30, 2025.

Budgets and budgetary accounting:

The budgets shown as required supplementary information to the financial statements were prepared on the modified accrual basis of accounting. The annual budgets are adopted by the Library Board of Trustees prior to the beginning of the budgetary year. Subsequent amendments are approved by the Library Board of Trustees. Unexpended appropriations lapse at year end. The Library does not use the encumbrance method of accounting for budgetary purposes. During the year, the budget was amended in a legally permissible manner.

Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. 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.

Subsequent events:

Subsequent events were evaluated by management through October 24, 2025, which is the date the financial statements were available to be issued. In management's opinion, no subsequent events occurred which require disclosure.

HOWELL CARNEGIE DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 2. DEPOSITS AND INVESTMENTS

The Library is authorized by Michigan Public Act 20 of 1943 (as amended) to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Library is allowed to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, banker's acceptances, mutual funds, and bank investment pools that are composed of authorized investment vehicles. The Library's deposits and investments are in accordance with statutory authority.

The Library's deposits and investments are reported in the financial statements as follows:

Cash and cash equivalents	\$ 7,764,196
Investments	<u>1,610,064</u>
	<u>\$ 9,374,260</u>

Cash and cash equivalents are comprised of the following on June 30, 2025:

Petty cash	\$ 225
Bank deposits - checking, savings, and money market accounts	<u>7,763,971</u>
	<u>\$ 7,764,196</u>

Investments are comprised of the following on June 30, 2025:

U.S. bond	\$ 99,009
Michigan CLASS	<u>1,511,055</u>
	<u>\$ 1,610,064</u>

The Library invests in Michigan CLASS, which is a stable \$1.00 net asset value investment pool that invests in a high-quality portfolio of investments legally permissible for Michigan local government entities. The audited financial statements for Michigan CLASS can be obtained at michiganclass.org.

HOWELL CARNEGIE DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 2. DEPOSITS AND INVESTMENTS (Continued)

Investment and interest income:

Investment and interest income is comprised of the following:

Dividends and interest	\$ 367,056
Net unrealized gains	<u>3,800</u>
	<u>\$ 370,856</u>

Fair value:

Investments are measured at three different fair value levels; Level 1 measurements are based on quoted prices in active markets for identical assets; Level 2 measurements are based on other observable inputs; and Level 3 measurements are based on significant unobservable inputs. The Library's investment in a U.S. bond is considered a Level 1 asset. The Library's investment in Michigan CLASS is measured at fair value and is not required to be categorized within the fair value hierarchy for purposes of Paragraph 81a(2) of Statement 72.

The Library's deposits and investments are subject to several types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk of bank deposits is the risk that in the event of a bank failure, the Library's deposits may not be returned. The Library maintains cash balances at financial banks each insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. On June 30, 2025, the Library's bank deposits were fully insured by FDIC.

Custodial credit risk of investments:

Custodial credit risk of investments 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 that are in the possession of an outside party. Michigan CLASS is an external investment pool and, therefore, is not subject to custodial credit risk.

HOWELL CARNEGIE DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 2. DEPOSITS AND INVESTMENTS (Concluded)

Interest rate risk:

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Library minimizes interest rate risk by maintaining an investment portfolio that is sufficiently liquid to meet all operating requirements which might be reasonably anticipated. On June 30, 2025, the dollar weighted average days to maturity of Michigan CLASS was 39 days and the weighted average life (WAL) was 85 days.

Credit risk:

State law limits investments in certain types of investments to a prime or better rating issued by national recognized statistical rating organizations. The Library's investment in a U.S. bond is not subject to credit risk. Michigan CLASS is rated 'AAAm' by S&P Global Ratings, which is the highest rating and demonstrates extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk.

Concentration of credit risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of the Library's investment in a single issuer. The Library minimizes the concentration of credit risk by diversifying the investment portfolio so that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

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HOWELL CARNEGIE DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 3. BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION FOR SOUTHEAST MICHIGAN

The Library benefits from the following endowment funds held with the Community Foundation for Southeast Michigan (CFSEM): Howell Carnegie District Library Endowment Fund, Grace Song Line and Winfield H. Line Fund, and James Ross Memorial Fund.

The portion of these funds contributed by the Library itself for its own benefit is reported on the Library's books as a beneficial interest in assets held by Community Foundation for Southeast Michigan.

The portion contributed by third-party donors directly to the funds is not reported on the Library's books, and distributions received from this portion are reported as revenue when received.

The beneficial interest in assets held by Community Foundation for Southeast Michigan consists of funds contributed by the Library and includes earnings thereon, net of distributions received. Distributions are received from the funds subject to CFSEM's investment and distribution policies adopted by CFSEM and amended from time to time.

The purpose of the Howell Carnegie District Library Endowment Fund is to support general operations. The purpose of the Grace Song Line and Winfield H. Line Fund is for the purchase of Library materials on American history, geography, ecology, and related subjects. The purpose of the James Ross Memorial Fund is for support of art in the community. A summary of the activity in these funds during the year ended June 30, 2025, is as follows:

(This section intentionally left blank.)

HOWELL CARNEGIE DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 3. BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION FOR SOUTHEAST MICHIGAN (Concluded)

	Beneficial interest in assets	Third-party donors	Total
<u>Howell Carnegie District</u>			
<u>Library Endowment Fund</u>			
Balance, beginning of year	\$ 607,804	2,603	610,407
Contributions	-	450	450
Change in value	67,356	302	67,658
Fees	(2,667)	(7)	(2,674)
Balance, end of year	<u>672,493</u>	<u>3,348</u>	<u>675,841</u>
<u>Grace Song Line and</u>			
<u>Winfield H. Line Fund</u>			
Balance, beginning of year	49,680	-	49,680
Change in value	5,506	-	5,506
Fees	(218)	-	(218)
Balance, end of year	<u>54,968</u>	<u>-</u>	<u>54,968</u>
<u>James Ross Memorial Fund</u>			
Balance, beginning of year	26,799	-	26,799
Change in value	2,970	-	2,970
Fees	(118)	-	(118)
Balance, end of year	<u>29,651</u>	<u>-</u>	<u>29,651</u>
 Total of all funds	 <u>\$ 757,112</u>	 <u>3,348</u>	 <u>760,460</u>

A summary of the income (expense) activity in the beneficial interest in assets portion of the funds is as follows:

Change in value	\$ 75,832
Fees	<u>(3,003)</u>
	<u>\$ 72,829</u>

HOWELL CARNEGIE DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025, is as follows:

	July 1, 2024	Additions	Deletions	Reclassifications	June 30, 2025
Capital assets not being depreciated:					
Land	\$ 559,655	-	-	-	559,655
Construction in progress	75,102	337,065	-	(2,900)	409,267
	<u>634,757</u>	<u>337,065</u>	<u>-</u>	<u>(2,900)</u>	<u>968,922</u>
Capital assets being depreciated:					
Buildings and improvements	8,781,180	30,377	-	-	8,811,557
Equipment	419,409	11,686	(1,913)	-	429,182
Furniture and fixtures	1,057,279	89,846	(16,800)	2,900	1,133,225
Materials	1,605,846	149,422	(198,005)	-	1,557,263
Technology and software	93,302	-	-	-	93,302
	<u>11,957,016</u>	<u>281,331</u>	<u>(216,718)</u>	<u>2,900</u>	<u>12,024,529</u>
Less accumulated depreciation:					
Buildings and improvements	(4,396,966)	(308,821)	-	-	(4,705,787)
Equipment	(323,391)	(21,605)	1,913	-	(343,083)
Furniture and fixtures	(800,107)	(47,932)	15,460	-	(832,579)
Materials	(1,179,109)	(159,153)	198,005	-	(1,140,257)
Technology and software	(60,490)	(2,589)	-	-	(63,079)
	<u>(6,760,063)</u>	<u>(540,100)</u>	<u>215,378</u>	<u>-</u>	<u>(7,084,785)</u>
Net capital assets being depreciated	<u>5,196,953</u>	<u>(258,769)</u>	<u>(1,340)</u>	<u>2,900</u>	<u>4,939,744</u>
Capital assets, net	<u>\$ 5,831,710</u>	<u>78,296</u>	<u>(1,340)</u>	<u>-</u>	<u>5,908,666</u>

Note 5. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The Library has entered into subscription-based information technology arrangements (SBITAs) for web hosting, cloud-based software, and web-based learning and database subscriptions.

SBITAs are comprised of the following on June 30, 2025:

Subscription assets	\$ 292,747
Less accumulated amortization	<u>(92,038)</u>
Subscription assets, net	<u>\$ 200,709</u>

HOWELL CARNEGIE DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 5. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS
(Concluded)

Future subscription payments due under SBITA agreements are as follows:

Year Ending June 30,	Principal Payments	Interest Payments	Total Payments
2026	\$ 59,725	12,839	72,564
2027	57,754	8,937	66,691
2028	63,672	4,686	68,358
	<u>\$ 181,151</u>	<u>26,462</u>	<u>207,613</u>

The Library also committed to SBITAs involving cloud-based software that commence after year end. Future commitments under these agreements are as follows:

Year Ending June 30,	Principal Payments	Interest Payments	Total Payments
2026	\$ 7,511	141	7,652
2027	6,057	827	6,884
2028	6,458	427	6,885
	<u>\$ 20,026</u>	<u>1,395</u>	<u>21,421</u>

NOTE 6. LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended June 30, 2025:

	Balance July 1, 2024	Increase	Decrease	Balance June 30, 2025	Amounts Due Within One Year
Compensated absences	\$ 191,685	124,350	(92,268)	223,767	56,257
Subscription liabilities	13,355	250,610	(82,814)	181,151	59,725
2014 Library Building Bonds	1,720,000	-	(165,000)	1,555,000	170,000
	<u>\$ 1,925,040</u>	<u>374,960</u>	<u>(340,082)</u>	<u>1,959,918</u>	<u>285,982</u>

HOWELL CARNEGIE DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6. LONG-TERM DEBT (Concluded)

Significant details regarding outstanding long-term debt (including current portions) are as follows:

\$3,085,000 Building and Site Bonds, dated October 30, 2014, due in annual installments ranging from \$120,000 to \$220,000 through June 1, 2033, with interest ranging from 2.00 to 3.00 percent, payable semi-annually. The annual requirements to pay the debt principal and interest outstanding for the building and site bonds are as follows:

Year Ending		Principal	Interest
June 30,			
2026	\$	170,000	46,650
2027		180,000	41,550
2028		185,000	36,150
2029		190,000	30,600
2030		195,000	24,900
2031-2033		635,000	38,550
	\$	<u>1,555,000</u>	<u>218,400</u>

Note 7. INTERFUND TRANSFERS

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. On the statement of activities, all interfund transfers between individual governmental funds have been eliminated. Transfers are used to move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them. During the year ended June 30, 2025, the following transfers in (out) were made between funds:

Major funds:		
General Fund	\$	(217,100)
Nonmajor funds:		
Debt Service Fund		217,100

HOWELL CARNEGIE DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 8. RISK MANAGEMENT

The Library participates in the Michigan Municipal League Liability & Property Pool with other municipalities for property, general liability, auto liability, and public officials' liability losses. The pool is organized under Public Act 138 of 1982, as amended, as a governmental group property and casualty self-insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said year, all members of the specific pool's policy year may be subject to a special assessment to make up the deficiency. The Library has not been informed of any special assessments being required.

The Library also participates in the Michigan Municipal League Workers' Compensation Fund with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended, as a governmental group workers' compensation self-insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said year, all members of the specific pool's policy year may be subject to a special assessment to make up the deficiency. The Library has not been informed of any special assessments being required.

NOTE 9. NET POSITION

The Library's net position invested in capital assets consists of the following on June 30, 2025:

Net capital assets	\$ 5,908,666
Debt related to capital assets	(1,555,000)
Net subscription assets	200,709
Subscription liabilities	(181,151)
	<u>\$ 4,373,224</u>

Restricted, expendable net position of \$41,151 is restricted for archives.

Restricted, nonexpendable net position of \$757,112 is permanently restricted for endowment funds held with the Community Foundation of Southeast Michigan as described in Note 3.

HOWELL CARNEGIE DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 10. FUND BALANCES

The Library has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balance classifications are based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on the fund balances of the governmental funds is as follows:

Nonspendable	
Prepays	\$ 171,578
Endowment	757,112
	<u>928,690</u>
Restricted	
Archives	<u>41,151</u>
Committed	
Capital improvements	2,317,917
Employee benefits	194,798
	<u>2,512,715</u>
Assigned	
Technology	182,038
Subsequent year expenditures	739,425
Other purposes	832,126
	<u>1,753,589</u>
Unassigned	<u>5,020,366</u>
Total fund balances	<u>\$ 10,256,511</u>

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HOWELL CARNEGIE DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 11. AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN

Plan description:

The Library's defined benefit pension plan provides certain retirement, disability, and death benefits to full-time employees and their 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 by accessing the MERS website at www.mersofmich.com.

Benefits provided:

Pension benefits are calculated as final average compensation (based on a 5-year period) and a multiplier of 2.00%. Participants are fully vested in the plan after 8 years. Normal retirement age is 60 with early retirement at age 50 with 25 years of service or age 55 with 15 years of service.

Net pension liability:

The Library's net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Employees covered by benefit terms:

On the December 31, 2024, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefits	7
Inactive employees entitled to but	
not yet receiving benefits	2
Active employees	<u>10</u>
Total membership	<u><u>19</u></u>

HOWELL CARNEGIE DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 11. AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN (Continued)

Changes in net pension liability (asset):

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at 12/31/23	\$ 2,722,735	2,629,687	93,048
Changes for the year			
Service cost	54,930	-	54,930
Interest	192,479	-	192,479
Difference between expected and actual experience	122,646	-	122,646
Changes of assumptions	8,282	-	8,282
Employer contributions	-	286,290	(286,290)
Net investment income	-	202,036	(202,036)
Benefit payments, including employee refunds	(138,867)	(138,867)	-
Administrative expense	-	(6,053)	6,053
Net changes	<u>239,470</u>	<u>343,406</u>	<u>(103,936)</u>
Balances at 12/31/24	\$ <u>2,962,205</u>	<u>2,973,093</u>	<u>(10,888)</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 actuarially determined rate for the year ended June 30, 2025, was 13.67%. Currently, employees are not required to make any contributions.

HOWELL CARNEGIE DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 11. AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial assumptions:

The total pension liability in the December 31, 2024, annual 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,
plus a percentage based on a service-related
scale to reflect merit, longevity, and
promotional pay increases

Investment rate of return: 6.93%, net of investment and
administrative expense, including inflation

Mortality rates were based on a version of the Pub-2010 fully generational MP-2021 scale.

The actuarial assumptions used in the valuation were based on the results of the actuarial experience study of 2019-2023 dated 2025.

Assumption changes:

The December 31, 2024, valuation adopted the results of an experience study covering the period of January 1, 2019 through December 31, 2023.

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.

HOWELL CARNEGIE DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 11. AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN (Continued)

Long-term expected rate of return (concluded):

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 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%	4.66%	0.93%	2.50%	0.43%
Private investments	20.00%	9.00%	1.80%	2.50%	1.30%
	100.00%		6.93%		4.43%

Discount rate:

The discount rate used to measure the total pension liability was 7.18% for the December 31, 2024, measurement date. 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.

Sensitivity of the net pension liability (asset) to changes in the discount rate:

The following presents the net pension liability (asset) of the Library, calculated using the discount rate of 7.18%, as well as what the Library's net pension liability (asset) would be using a discount rate that is 1.00% lower (6.18%) or 1.00% higher (8.18%) than the current rate.

	1.00% Decrease (6.18%)	Current Discount Rate (7.18%)	1.00% Increase (8.18%)
Net pension liability (asset)	\$ 322,333	(10,888)	(295,077)

HOWELL CARNEGIE DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 11. AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN (Concluded)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pension:

For the year ended June 30, 2025, the Library recognized pension expense of \$158,918 in the statement of activities. The Library reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 123,275	31,304	91,971
Changes in assumptions	34,810	-	34,810
Net difference between projected and actual earnings on pension plan investments	<u>188,399</u>	<u>88,901</u>	<u>99,498</u>
	346,484	120,205	226,279
Contributions subsequent to the measurement date	<u>41,300</u>	-	<u>41,300</u>
Total	<u>\$ 387,784</u>	<u>120,205</u>	<u>267,579</u>

The amount reported as deferred outflows of resources resulting from contributions after the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2026	\$ 88,543
2027	127,112
2028	12,253
2029	<u>(1,629)</u>
	<u>\$ 226,279</u>

HOWELL CARNEGIE DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 12. RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Total fund balances - governmental funds	\$ 10,256,511
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Amounts reported for governmental activities in the statement of net position are different because:

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

Capital assets,	
net of accumulated depreciation	5,908,666
Subscription assets,	
net of accumulated amortization,	
less prepaid amount	181,287

Certain pension-related amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the governmental funds:

Net pension asset	10,888
Deferred outflows related to the net pension liability	387,784
Deferred inflows related to the net pension liability	(120,205)

Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:

Accrued interest payable	(3,888)
Compensated absences	(223,767)
Subscription liabilities	(181,151)
Long-term debt	(1,555,000)
	<u> </u>

Net position of governmental activities	\$ <u><u>14,661,125</u></u>
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HOWELL CARNEGIE DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS (Concluded)

Note 12. RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS (Concluded)

Net change in fund balances - total governmental funds	\$ 974,740
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation and amortization.	
Capital assets purchased	618,396
Depreciation expense	(540,100)
Loss on capital assets disposal	(1,340)
Subscription assets purchased, less prepaid amount	255,381
Amortization on subscription assets	(86,856)
Repayment of debt principal is an expenditure in the governmental funds, but is reported as a decrease in long-term debt on the statement of net position.	165,000
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Decrease in deferred outflows of resources related to the net pension liability	(167,306)
Decrease in accrued interest payable	412
Increase in subscription liabilities	(167,796)
Increase in compensated absences	(32,082)
Decrease in net pension liability	103,936
Decrease in deferred inflows of resources related to the net pension liability	86,962
Change in net position of governmental activities	<u>\$ 1,209,347</u>

HOWELL CARNEGIE DISTRICT LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2025

(Unaudited)

	Original Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 3,610,271	3,610,271	3,567,902	(42,369)
State grants	59,126	59,126	117,475	58,349
State penal fines	75,000	75,000	127,988	52,988
Charges for services	8,410	8,410	15,772	7,362
Fines and forfeits	2,200	2,200	5,698	3,498
Investment and interest income	50,000	50,000	339,004	289,004
Other revenue	2,000	2,000	644	(1,356)
Total revenues	<u>3,807,007</u>	<u>3,807,007</u>	<u>4,174,483</u>	<u>367,476</u>
Expenditures				
Personnel services	1,739,405	1,832,405	1,588,404	244,001
Library supplies	47,000	47,000	28,533	18,467
Other services and charges	98,150	98,150	55,155	42,995
Professional and contractual services	144,100	144,100	86,114	57,986
Building and maintenance	294,447	294,447	213,616	80,831
Materials and programming	494,280	494,280	489,187	5,093
Information technology	225,703	227,570	181,120	46,450
Capital outlay	332,500	623,495	463,520	159,975
Contingencies	400,722	400,722	-	400,722
Total expenditures	<u>3,776,307</u>	<u>4,162,169</u>	<u>3,105,649</u>	<u>1,056,520</u>
Excess of revenues over (under) expenditures	30,700	(355,162)	1,068,834	1,423,996
Other financing uses				
Transfers between funds	(217,100)	(217,100)	(217,100)	-
Change in fund balance	(186,400)	(572,262)	851,734	1,423,996
Fund balance - beginning of year	<u>7,774,388</u>	<u>7,774,388</u>	<u>7,774,388</u>	<u>-</u>
Fund balance - end of year	<u>\$ 7,587,988</u>	<u>7,202,126</u>	<u>8,626,122</u>	<u>1,423,996</u>

HOWELL CARNEGIE DISTRICT LIBRARY
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2025

(Unaudited)

	Original Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenues				
Investment and interest income	\$ 1,100	1,100	31,852	30,752
Contributions	37,000	37,000	30,663	(6,337)
Total revenues	<u>38,100</u>	<u>38,100</u>	<u>62,515</u>	<u>24,415</u>
Expenditures				
Library supplies	39,000	33,000	6,822	26,178
Other services and charges	2,100	2,100	62	2,038
Capital outlay	-	6,000	5,454	546
Total expenditures	<u>41,100</u>	<u>41,100</u>	<u>12,338</u>	<u>28,762</u>
Excess of revenues over (under) expenditures	(3,000)	(3,000)	50,177	53,177
Fund balance - beginning of year	<u>823,100</u>	<u>823,100</u>	<u>823,100</u>	<u>-</u>
Fund balance - end of year	<u>\$ 820,100</u>	<u>820,100</u>	<u>873,277</u>	<u>53,177</u>

HOWELL CARNEGIE DISTRICT LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
YEAR ENDED JUNE 30, 2025

(Unaudited)

	Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability										
Service cost	\$ 54,930	51,209	48,179	42,844	42,369	40,925	39,818	41,016	36,545	34,582
Interest	192,479	179,964	178,702	171,513	152,777	148,509	134,677	120,923	114,198	107,154
Difference between expected and actual experience	122,646	62,579	(117,664)	(9,436)	21,922	(2,757)	70,586	50,591	(50,290)	(65,214)
Changes of assumptions	8,282	20,057	-	92,842	119,552	52,067	-	-	-	69,740
Benefit payments, including employee refunds	(138,867)	(95,471)	(91,183)	(93,463)	(87,187)	(84,045)	(61,406)	(18,616)	(18,616)	(18,616)
Net change in total pension liability	239,470	218,338	18,034	204,300	249,433	154,699	183,675	193,914	81,837	127,646
Total pension liability beginning balance	<u>2,722,735</u>	<u>2,504,397</u>	<u>2,486,363</u>	<u>2,282,063</u>	<u>2,032,630</u>	<u>1,877,931</u>	<u>1,694,256</u>	<u>1,500,342</u>	<u>1,418,505</u>	<u>1,290,859</u>
Total pension liability ending balance	<u>\$ 2,962,205</u>	<u>2,722,735</u>	<u>2,504,397</u>	<u>2,486,363</u>	<u>2,282,063</u>	<u>2,032,630</u>	<u>1,877,931</u>	<u>1,694,256</u>	<u>1,500,342</u>	<u>1,418,505</u>
Plan fiduciary net position										
Contributions- employer	\$ 286,290	92,264	82,043	622,478	68,428	49,498	44,212	46,184	36,600	32,370
Net investment income (loss)	202,036	265,947	(278,296)	289,697	212,725	202,595	(62,226)	184,645	140,378	(18,861)
Benefit payments, including employee refunds	(138,867)	(95,471)	(91,183)	(93,463)	(87,187)	(84,045)	(61,406)	(18,616)	(18,616)	(18,616)
Administrative expense	(6,053)	(5,639)	(4,945)	(3,338)	(3,345)	(3,491)	(3,077)	(2,915)	(2,769)	(2,716)
Net change in plan fiduciary net position	343,406	257,101	(292,381)	815,374	190,621	164,557	(82,497)	209,298	155,593	(7,823)
Plan fiduciary net position beginning balance	<u>2,629,687</u>	<u>2,372,586</u>	<u>2,664,967</u>	<u>1,849,593</u>	<u>1,658,972</u>	<u>1,494,415</u>	<u>1,576,912</u>	<u>1,367,614</u>	<u>1,212,021</u>	<u>1,219,844</u>
Plan fiduciary net position ending balance	<u>\$ 2,973,093</u>	<u>2,629,687</u>	<u>2,372,586</u>	<u>2,664,967</u>	<u>1,849,593</u>	<u>1,658,972</u>	<u>1,494,415</u>	<u>1,576,912</u>	<u>1,367,614</u>	<u>1,212,021</u>
Employer net pension liability (asset)	<u>\$ (10,888)</u>	<u>93,048</u>	<u>131,811</u>	<u>(178,604)</u>	<u>432,470</u>	<u>373,658</u>	<u>383,516</u>	<u>117,344</u>	<u>132,728</u>	<u>206,484</u>
Plan fiduciary net position as a percentage of the total pension liability	100%	97%	95%	107%	81%	82%	80%	93%	91%	85%
Covered employee payroll	\$ 666,631	632,993	621,661	602,594	600,972	582,971	572,924	593,575	526,589	491,923
Employer's net pension liability (asset) as a percentage of covered employee payroll	-2%	15%	21%	-30%	72%	64%	67%	20%	25%	42%

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

HOWELL CARNEGIE DISTRICT LIBRARY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 YEAR ENDED JUNE 30, 2025

(Unaudited)

	Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarial determined contributions	\$ 89,511	90,175	91,966	76,554	74,381	53,748	45,888	44,658	44,140	32,240
Contributions in relation to the actuarially determined contributions	<u>89,511</u>	<u>90,175</u>	<u>91,966</u>	<u>76,554</u>	<u>74,381</u>	<u>53,748</u>	<u>45,888</u>	<u>44,658</u>	<u>44,140</u>	<u>32,240</u>
Contributions 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	\$ 654,799	646,879	635,563	607,090	677,423	599,197	565,820	526,007	556,620	533,775
Contributions as a percentage of covered employee payroll	13.67%	13.94%	14.47%	12.61%	10.98%	8.97%	8.11%	8.49%	7.93%	6.04%

HOWELL CARNEGIE DISTRICT LIBRARY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

(UNAUDITED)

Note 1. PLAN DESCRIPTION - DEFINED BENEFIT PENSION PLAN

A description of the Howell Carnegie District Library's (the Library) defined benefit pension plan (pension plan) can be found in Note 11 of the Notes to Financial Statements.

Note 2. METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS - DEFINED BENEFIT PENSION PLAN

The actuarially determined rates in the schedule of contributions are calculated as of December 31, eighteen months prior to the beginning of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the 2024/2025 fiscal year contribution rate:

Valuation date:	12/31/2022
Actuarial cost method:	Entry age normal cost
Amortization method:	Level percentage, open
Remaining amortization period:	16 years
Asset valuation method:	Market value plus expected income at the valuation rate of return plus a portion of the difference between the expected investment income and actual investment income earned; 5 year smoothing
Inflation:	2.50% in the long-term
Salary increase:	3.00% in the long-term
Investment rate of return:	7.00%, net of administrative and investment expenses
Retirement age:	60 years, 8 years service
Mortality:	Pub-2010 fully generational MP-2019 scale

HOWELL CARNEGIE DISTRICT LIBRARY
 COMBINING GOVERNMENTAL FUNDS BALANCE SHEET
 NONMAJOR FUNDS
 JUNE 30, 2025

	<u>Endowment Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Funds</u>
Assets			
Beneficial interest in assets held by Community Foundation for Southeast Michigan	\$ <u>757,112</u>	<u>-</u>	<u>757,112</u>
Fund balances			
Nonspendable	\$ <u>757,112</u>	<u>-</u>	<u>757,112</u>

HOWELL CARNEGIE DISTRICT LIBRARY
 COMBINING STATEMENT OF GOVERNMENTAL REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR FUNDS
 YEAR ENDED JUNE 30, 2025

	<u>Endowment Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Funds</u>
Revenues			
Change in value of beneficial interest in assets held by Community Foundation for Southeast Michigan	\$ 72,829	-	72,829
Expenditures			
Debt service	-	217,100	217,100
Excess of revenues over (under) expenditures	72,829	(217,100)	(144,271)
Other financing sources			
Transfers between funds	-	217,100	217,100
Change in fund balances	72,829	-	72,829
Fund balances - beginning of year	<u>684,283</u>	<u>-</u>	<u>684,283</u>
Fund balances - end of year	<u>\$ 757,112</u>	<u>-</u>	<u>757,112</u>