

HOWELL CARNEGIE DISTRICT LIBRARY

FINANCIAL REPORT

June 30, 2022

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INDEPENDENT AUDITORS' REPORT

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

**Opinion**

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, 2022, 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, 2022, 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 Opinion**

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 opinion.

**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 opinion. 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 an opinion 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  
November 1, 2022

HOWELL CARNEGIE DISTRICT LIBRARYMANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2022

(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, 2022

(Unaudited)

Condensed Financial Information

The table below shows key financial information in a condensed comparative format for the fiscal years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Current assets	\$ 7,120,334	6,828,493
Capital assets	6,546,657	6,768,249
Net pension asset	178,604	-
	<u>13,845,595</u>	<u>13,596,742</u>
Deferred Outflows of Resources	<u>268,868</u>	<u>500,938</u>
<b>Liabilities</b>		
Current liabilities	327,039	314,942
Noncurrent liabilities	2,012,910	2,603,396
	<u>2,339,949</u>	<u>2,918,338</u>
Deferred Inflows of Resources	<u>198,291</u>	<u>154,929</u>
<b>Net Position</b>		
Invested in capital assets	4,511,657	4,583,249
Restricted, nonexpendable	556,841	632,083
Unrestricted	6,507,725	5,809,081
	<u>\$ 11,576,223</u>	<u>11,024,413</u>
<b>Revenues</b>		
Program Revenues		
Library services and fines	\$ 12,225	7,026
Contributions	68,648	29,173
General Revenues		
Property taxes	2,991,908	2,900,649
State penal fines	113,524	128,391
State aid	57,710	45,558
Federal grants	-	13,232
Investment income (loss)	(1,947)	10,218
Change in value of beneficial interest in assets held by Community Foundation for Southeast Michigan	(75,242)	138,441
Other	5,425	8,766
	<u>3,172,251</u>	<u>3,281,454</u>
<b>Program Expenses</b>		
Library services/operations	<u>2,620,441</u>	<u>2,582,669</u>
Change in Net Position	<u>\$ 551,810</u>	<u>698,785</u>

HOWELL CARNEGIE DISTRICT LIBRARYMANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For the Year Ended June 30, 2022

(Unaudited)

The Library as a Whole

- The Library reports net position of \$11,576,223 and \$11,024,413 on a full accrual basis, as compared to a fund balance of \$6,992,015 and \$6,710,339 on the modified accrual basis of accounting for the years ended June 30, 2022 and 2021, respectively.
- The Library's primary source of revenue is from property taxes. Total tax collections were \$2,991,908 and \$2,900,649, representing 94.3% and 88.4% of total revenues on the full accrual basis of accounting for the years ended June 30, 2022 and 2021, respectively.
- Wage related expenses including salaries and wages, payroll taxes, and employee benefits are the largest overall expenditure of the Library. These expenditures were \$1,320,774 and \$1,311,282, representing 50.4% and 50.8% of the Library's total expenditures on the full accrual basis of accounting for the years ended June 30, 2022 and 2021, respectively.
- Depreciation expense of \$571,669 and \$573,244 represents 21.8% and 22.2% of the Library's total expenditures on the full accrual basis of accounting for the years ended June 30, 2022 and 2021, respectively.
- Total expenditures under the modified accrual basis of accounting were \$2,890,575 and \$2,576,436 for the years ended June 30, 2022 and 2021, respectively.

The Library's Funds

Our analysis of the Library's funds are included on pages 10-11 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, 2022. The Endowment Fund, Equipment and Furnishings Replacement Fund, and Debt Service Fund are considered to be nonmajor funds for the year ended June 30, 2022.

The overall fund balance of the Library increased \$281,676 during the year ended June 30, 2022. This increase represents revenues in excess of expenses.



HOWELL CARNEGIE DISTRICT LIBRARYMANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For the Year Ended June 30, 2022

(Unaudited)

Library Budgetary HighlightsRevenues

- The June 30, 2022 General Fund property tax revenues increased \$91,259, or 3.1%, over the June 30, 2021 fiscal year amount.
- Total revenues in the General Fund increased \$66,403, or 2.1%, over the June 30, 2021 fiscal year amount.
- State aid revenues increased by \$12,152, or 26.7%, over the June 30, 2021 fiscal year amount.
- Penal fine revenues decreased by \$14,867, or 11.6%, under the June 30, 2021 fiscal year amount.

The June 30, 2022 budgeted revenue (minus fund balance revenue) for the General Fund was \$3,097,144. The actual audited revenue for the General Fund was \$3,178,392. This is \$81,248 or 2.6%, higher than was budgeted.

Expenditures

- The June 30, 2022 General Fund expenditures increased \$365,364, or 16.2%, over the June 30, 2021 fiscal year amount.

The June 30, 2022 budgeted expenditures for the General Fund (minus "Other" amounts) were \$3,151,944. The actual audited General Fund expenditures were \$2,615,200. This is \$536,744, or 17.0%, lower than the budgeted amount.

Capital Assets and Debt Administration

At the end of the fiscal year, the Library had \$6,546,657 (net of accumulated depreciation) invested in land, buildings and improvements, equipment, furniture and fixtures, technology and software, and library materials.

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 and Library building bonds due in annual principal payments maturing on June 1, 2033.

HOWELL CARNEGIE DISTRICT LIBRARYMANAGEMENT'S DISCUSSION AND ANALYSIS (Concluded)  
For the Year Ended June 30, 2022

(Unaudited)

Next Year's Budget and Millage Rates

The June 30, 2023 General Fund tax revenues are estimated to increase by \$135,724 or 4.5% more than June 30, 2022 audited tax revenues. The June 30, 2023 General Fund total revenues are estimated to increase by \$81,475 or 2.6% more than June 30, 2022 audited revenues. Because conservative estimates are used, past history shows that actual revenues are generally higher than the budgeted revenues.

The June 30, 2022 General Fund expenditures (minus "Other" amounts) are budgeted to increase by \$127,493 or 4.9% more than the June 30, 2022 audited expenditures (minus "Other" amounts). 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, 2022 millage rate of 1.0382 mills decreases to 1.0264 mills for the June 30, 2023 fiscal year due to a Headlee rollback.

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, 2022

	General Fund	Special Revenue Fund	Nonmajor Funds	Total Funds	Adjustments (Note 11)	Statement of Net Position
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents (Note 2)	\$ 5,487,798	717,889	-	6,205,687	-	6,205,687
Investments (Note 2)	92,373	-	-	92,373	-	92,373
Accrued interest receivable	9	-	-	9	-	9
Accounts receivable	-	6,832	-	6,832	-	6,832
Due from other governments	142,580	-	-	142,580	-	142,580
Prepays	116,012	-	-	116,012	-	116,012
Beneficial interest in assets held by Community Foundation for Southeast Michigan (Note 3)	-	-	556,841	556,841	-	556,841
<b>Total current assets</b>	<b>5,838,772</b>	<b>724,721</b>	<b>556,841</b>	<b>7,120,334</b>	<b>-</b>	<b>7,120,334</b>
<b>Noncurrent assets</b>						
Capital assets, net of accumulated depreciation (Note 4)	-	-	-	-	6,546,657	6,546,657
Net pension asset (Note 10)	-	-	-	-	178,604	178,604
<b>Total noncurrent assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,725,261</b>	<b>6,725,261</b>
<b>Total assets</b>	<b>\$ 5,838,772</b>	<b>724,721</b>	<b>556,841</b>	<b>7,120,334</b>	<b>6,725,261</b>	<b>13,845,595</b>
<b>Deferred outflows of resources</b>						
Deferred outflows of resources related to pension (Note 10)	\$ -	-	-	-	268,868	268,868
<b>Liabilities</b>						
<b>Current liabilities</b>						
Accounts payable	\$ 91,160	625	-	91,785	-	91,785
Accrued liabilities	36,534	-	-	36,534	-	36,534
Accrued interest payable	-	-	-	-	5,088	5,088
Current portion of compensated absences (Note 5)	-	-	-	-	38,632	38,632
Current portion of long-term debt (Note 5)	-	-	-	-	155,000	155,000
<b>Total current liabilities</b>	<b>127,694</b>	<b>625</b>	<b>-</b>	<b>128,319</b>	<b>198,720</b>	<b>327,039</b>
<b>Noncurrent liabilities</b>						
Noncurrent portion of compensated absences (Note 5)	-	-	-	-	132,910	132,910
Noncurrent portion of long-term debt (Note 5)	-	-	-	-	1,880,000	1,880,000
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,012,910</b>	<b>2,012,910</b>
<b>Total liabilities</b>	<b>127,694</b>	<b>625</b>	<b>-</b>	<b>128,319</b>	<b>2,211,630</b>	<b>2,339,949</b>
<b>Deferred inflows of resources</b>						
Deferred inflows of resources related to pension (Note 10)	-	-	-	-	198,291	198,291
<b>Fund balances/net position</b>						
<b>Fund balances</b>						
Nonspendable (Note 7)	116,012	-	556,841	672,853	(672,853)	-
Committed (Note 7)	-	40,556	-	40,556	(40,556)	-
Assigned (Note 7)	1,379,255	683,540	-	2,062,795	(2,062,795)	-
Unassigned (Note 7)	4,215,811	-	-	4,215,811	(4,215,811)	-
<b>Total fund balances</b>	<b>5,711,078</b>	<b>724,096</b>	<b>556,841</b>	<b>6,992,015</b>	<b>(6,992,015)</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,838,772</b>	<b>724,721</b>	<b>556,841</b>	<b>7,120,334</b>		
<b>Net position</b>						
Invested in capital assets (Note 6)					4,511,657	4,511,657
Restricted, nonexpendable (Note 6)					556,841	556,841
Unrestricted					6,507,725	6,507,725
<b>Total net position</b>					<b>11,576,223</b>	<b>11,576,223</b>

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, 2022

	General Fund	Special Revenue Fund	Nonmajor Funds	Total Funds	Adjustments (Note 11)	Statement of Activities
<b>Revenues</b>						
Property taxes	\$ 2,991,908	-	-	2,991,908	-	2,991,908
State aid	57,710	-	-	57,710	-	57,710
State penal fines	113,524	-	-	113,524	-	113,524
Fines and fees	2,148	-	-	2,148	-	2,148
Charges for services	10,077	-	-	10,077	-	10,077
Investment income (loss) (Note 2)	(2,400)	426	27	(1,947)	-	(1,947)
Change in value of beneficial interest in assets held by Community Foundation for Southeast Michigan (Note 3)	-	-	(75,242)	(75,242)	-	(75,242)
Contributions	-	68,648	-	68,648	-	68,648
Miscellaneous	5,425	-	-	5,425	-	5,425
<b>Total revenues</b>	<b>3,178,392</b>	<b>69,074</b>	<b>(75,215)</b>	<b>3,172,251</b>	<b>-</b>	<b>3,172,251</b>
<b>Expenditures</b>						
Building and grounds maintenance	76,127	-	-	76,127	-	76,127
Capital outlay	68,682	55,114	-	123,796	(118,971)	4,825
Employee benefits	565,324	-	-	565,324	(335,642)	229,682
Information technology	225,475	-	-	225,475	(86,669)	138,806
Insurance	39,570	-	-	39,570	-	39,570
Materials and programming	375,840	-	-	375,840	(144,437)	231,403
Payroll taxes	76,840	-	-	76,840	-	76,840
Professional and contractual services	28,723	-	-	28,723	-	28,723
Salaries and wages	1,019,961	-	-	1,019,961	(5,709)	1,014,252
Supplies and other services and charges	41,518	4,211	-	45,729	-	45,729
Taxes and chargebacks	4,292	-	-	4,292	-	4,292
Training and education	17,194	-	-	17,194	-	17,194
Utilities	75,654	-	-	75,654	-	75,654
Debt service	-	-	216,050	216,050	(150,375)	65,675
Depreciation	-	-	-	-	571,669	571,669
<b>Total expenditures</b>	<b>2,615,200</b>	<b>59,325</b>	<b>216,050</b>	<b>2,890,575</b>	<b>(270,134)</b>	<b>2,620,441</b>
<b>Excess of revenues over (under) expenditures/change in net position</b>	<b>563,192</b>	<b>9,749</b>	<b>(291,265)</b>	<b>281,676</b>	<b>270,134</b>	<b>551,810</b>
<b>Other financing sources (uses)</b>						
Transfers between funds (Note 8)	49,982	-	(49,982)	-	-	-
<b>Change in fund balances/net position</b>	<b>613,174</b>	<b>9,749</b>	<b>(341,247)</b>	<b>281,676</b>	<b>270,134</b>	<b>551,810</b>
<b>Fund balances/net position - beginning of year</b>	<b>5,097,904</b>	<b>714,347</b>	<b>898,088</b>	<b>6,710,339</b>	<b>4,314,074</b>	<b>11,024,413</b>
<b>Fund balances/net position - end of year</b>	<b>\$ 5,711,078</b>	<b>724,096</b>	<b>556,841</b>	<b>6,992,015</b>	<b>4,584,208</b>	<b>11,576,223</b>

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.

## Basis of presentation:

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The financial statements present the governmental fund financial statements on a modified accrual basis with an adjustment to present the government-wide financial statements on a full accrual basis.

## 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.

## HOWELL CARNEGIE DISTRICT LIBRARY

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

## 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.

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 Equipment and Furnishings Replacement Fund accounts for financial resources related to capital equipment and furnishing purchases of the Library. This fund was closed during the year ended June 30, 2022, and the resources were moved to the General Fund.

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

## HOWELL CARNEGIE DISTRICT LIBRARY

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

## Measurement focus/basis of accounting:

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting policies of the Howell Carnegie District Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

## Governmental fund financial statements:

The governmental fund financial statements (i.e. the governmental funds balance sheet and the statement of governmental revenues, expenditures, and changes in fund balances) uses a financial resources measurement focus and is accounted for using the modified accrual basis of accounting. Under 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 collected within sixty 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 the pension plan are recorded only when payment is due. Adjustments are provided within the statements to reconcile and explain the differences in fund balances and changes in fund balances as presented in the governmental funds balance sheet and statement of governmental revenues, expenditures, and changes in fund balances to the net position and change in net position as presented in the statement of net position and statement of activities.

## Government-wide financial statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) 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.

## HOWELL CARNEGIE DISTRICT LIBRARY

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

Government-wide financial statements (concluded):

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 are met. Expenses are recorded when liabilities are incurred.

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.

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 of at least two years, 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



## 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:

In addition to assets and liabilities, the statement of net position includes deferred outflows of resources and deferred inflows of resources. These amounts represent a consumption/acquisition of net position that applies to a future period(s) and, accordingly, will not be recognized as expense/revenue until that time. The Library's deferred outflows/inflows of resources are related to the net pension liability (asset).

## 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 a full-time employee. A maximum of 90 pro-rated days of unused accumulated sick leave will be paid upon death or official retirement of a part-time employee. Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the Library has recorded all liabilities associated with compensated absences.

## 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.

## HOWELL CARNEGIE DISTRICT LIBRARY

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

## Fund equity (concluded):

Assigned – resources neither restricted nor committed for which a 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.

## 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. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution by the Library Board of Trustees.

For assigned fund balance, the Library Board of Trustees is authorized to assign amounts to a specific purpose. The authorization policy is a full vote and approval by the Library Board of Trustees.

The Library has not formally adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. In the absence of such a policy, the Library considers amounts to have been spent in the following order: restricted, committed, assigned, and unassigned.

## 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.

## HOWELL CARNEGIE DISTRICT LIBRARY

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

## Property taxes (concluded):

At 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.

The 2021 total taxable value for the property within the district was \$2,855,961,792 on which ad valorem taxes of 1.0382 mills were levied. These taxes were collected and recognized as revenue during the year ended June 30, 2022.

## Budgets and budgetary accounting:

The annual budget is 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 current year, the budget was amended in a legally permissible manner.

Formal budgetary integration is employed as a management control device. The budget has been prepared on a modified accrual basis, which is in conformity with accounting principles generally accepted in the United States of America.

## Pensions:

For purposes of measuring the net pension liability (asset), 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 November 1, 2022, 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. Deposits and investments are reported in the financial statements as follows:

Cash and cash equivalents	\$ 6,205,687
Investments	92,373
	<u>\$ 6,298,060</u>

Deposits and investments are comprised of the following at June 30, 2022:

Petty cash	\$ 225
Bank deposits- checking, savings, and money market accounts	5,436,913
Brokerage deposits- cash and cash equivalents	768,549
Investments	92,373
	<u>\$ 6,298,060</u>

At year end, the Library had bank deposits of \$5,488,678. The difference of \$51,765 between the bank deposit balance and the carrying value of \$5,436,913 represents checks written but not yet cashed and deposits not yet cleared at year end.

Investment income (loss):

Investment income (loss) is comprised of the following:

Unrealized gains and losses	\$ (7,077)
Dividends and interest	5,130
	<u>\$ (1,947)</u>

## HOWELL CARNEGIE DISTRICT LIBRARY

## NOTES TO FINANCIAL STATEMENTS (Continued)

## Note 2. DEPOSITS AND INVESTMENTS (Continued)

## 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. All of the Library's investments are considered Level 1 assets and are comprised of U.S. bonds at June 30, 2022.

## 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. At June 30, 2022, \$484,997 of the Library's bank deposits were not insured by the FDIC. The Library has not experienced a loss of deposits due to bank failure. Therefore, the Library considers its custodial credit risk of bank deposits to be minimal.

## 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 or collateral securities that are in the possession of the outside party. The Library does not have a policy for custodial credit risk of investments. The Library held \$860,922 in cash and cash equivalents and investments with a brokerage company covered by \$500,000 of Securities Investor Protection Corporation (SIPC) insurance. It is the opinion of the Library that the solvency of the brokerage company holding these cash and cash equivalents and investments is not of particular concern at this time.

## Credit risk:

State law limits investments in certain types of investments to a prime or better rating issued by national recognized statistical rating organizations (NRSROs). At June 30, 2022, the Library's investments consist of \$92,373 in U.S. bonds with an AA+ rating.

## 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 does not have a policy for interest rate risk.

## 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, 2022 is as follows:

## 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	\$ 561,437	1,083	562,520
Contributions	-	500	500
Change in value	(64,460)	(198)	(64,658)
Fees	(2,372)	(3)	(2,375)
Balance, end of year	<u>494,605</u>	<u>1,382</u>	<u>495,987</u>
<u>Grace Song Line and</u>			
<u>Winfield H. Line Fund</u>			
Balance, beginning of year	45,891	-	45,891
Change in value	(5,269)	-	(5,269)
Fees	(194)	-	(194)
Balance, end of year	<u>40,428</u>	<u>-</u>	<u>40,428</u>
<u>James Ross Memorial Fund</u>			
Balance, beginning of year	24,755	-	24,755
Change in value	(2,842)	-	(2,842)
Fees	(105)	-	(105)
Balance, end of year	<u>21,808</u>	<u>-</u>	<u>21,808</u>
 Total of all funds	 <u>\$ 556,841</u>	 <u>1,382</u>	 <u>558,223</u>

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

Change in value	\$ (72,571)
Fees	<u>(2,671)</u>
	<u>\$ (75,242)</u>

## HOWELL CARNEGIE DISTRICT LIBRARY

## NOTES TO FINANCIAL STATEMENTS (Continued)

## Note 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 is as follows:

	July 1, 2021	Additions	Deletions	June 30, 2022
Capital assets not being depreciated:				
Land	\$ 559,656	-	-	559,656
Construction in progress	1,000	6,000	(1,000)	6,000
	<u>560,656</u>	<u>6,000</u>	<u>(1,000)</u>	<u>565,656</u>
Capital assets being depreciated:				
Buildings and improvements	8,693,499	103,470	(37,906)	8,759,063
Equipment	448,049	47,812	(38,532)	457,329
Furniture and fixtures	1,084,172	10,500	(27,171)	1,067,501
Materials	1,765,548	144,437	(179,582)	1,730,403
Technology and software	54,444	38,858	-	93,302
	<u>12,045,712</u>	<u>345,077</u>	<u>(283,191)</u>	<u>12,107,598</u>
Less accumulated depreciation:				
Buildings and improvements	(3,512,657)	(304,431)	37,906	(3,779,182)
Equipment	(362,948)	(36,782)	38,532	(361,198)
Furniture and fixtures	(684,682)	(54,316)	27,171	(711,827)
Materials	(1,223,388)	(175,276)	179,582	(1,219,082)
Technology and software	(54,444)	(864)	-	(55,308)
	<u>(5,838,119)</u>	<u>(571,669)</u>	<u>283,191</u>	<u>(6,126,597)</u>
Net capital assets being depreciated	<u>6,207,593</u>	<u>(226,592)</u>	<u>-</u>	<u>5,981,001</u>
Capital assets, net	<u>\$ 6,768,249</u>	<u>(220,592)</u>	<u>(1,000)</u>	<u>6,546,657</u>

## NOTE 5. LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended June 30, 2022:

	Balance July 1, 2021	Increase	Decrease	Balance June 30, 2022	Amounts Due Within One Year
Compensated absences	\$ 177,252	100,881	(106,591)	171,542	38,632
2014 Library Building Bonds	2,185,000	-	(150,000)	2,035,000	155,000
	<u>\$ 2,362,252</u>	<u>100,881</u>	<u>(256,591)</u>	<u>2,206,542</u>	<u>193,632</u>



## HOWELL CARNEGIE DISTRICT LIBRARY

## NOTES TO FINANCIAL STATEMENTS (Continued)

## NOTE 5. 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,			
2023	\$	155,000	61,050
2024		160,000	56,400
2025		165,000	51,600
2026		170,000	46,650
2027		180,000	41,550
2028-2032		985,000	123,600
2033		220,000	6,600
	\$	<u>2,035,000</u>	<u>387,450</u>

## NOTE 6. NET POSITION

The Library's net position invested in capital assets consists of the following at June 30, 2022:

Net capital assets	\$	6,546,657
Related debt		(2,035,000)
	\$	<u>4,511,657</u>

Restricted, nonexpendable net position of \$556,841 is permanently restricted for endowment funds held with the Community Foundation of Southeast Michigan as described in Note 3.

## Note 7. 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:

## HOWELL CARNEGIE DISTRICT LIBRARY

## NOTES TO FINANCIAL STATEMENTS (Continued)

## Note 7. FUND BALANCES (Concluded)

Nonspendable:	
Prepays	\$ 116,012
Endowment	556,841
	<u>672,853</u>
Committed:	
Archives	<u>40,556</u>
Assigned:	
Capital improvements	1,150,538
Technology	181,896
Employee benefits	46,821
Other purposes	683,540
	<u>2,062,795</u>
Unassigned	<u>4,215,811</u>
Total fund balances	<u>\$ 6,992,015</u>

## Note 8. INTERFUND TRANSFERS

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of 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, 2022, the following transfers in (out) were made between funds:

Major funds:	
General Fund	\$ 49,982
Nonmajor funds:	
Equipment and Furnishings Replacement Fund	(266,032)
Debt Service Fund	216,050

## Note 9. 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.

## HOWELL CARNEGIE DISTRICT LIBRARY

## NOTES TO FINANCIAL STATEMENTS (Continued)

## Note 9. RISK MANAGEMENT (Concluded)

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 10. 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](http://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.

## Employees covered by benefit terms:

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

## HOWELL CARNEGIE DISTRICT LIBRARY

## NOTES TO FINANCIAL STATEMENTS (Continued)

## Note 10. AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN (Continued)

Employees covered by benefit terms (concluded):

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>11</u>
Total membership	<u><u>18</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 actuarially determined rate for the year ended June 30, 2022 was 12.61%. Currently, employees are not required to make any contributions.

Net pension asset:

The Library's net pension asset was measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset was determined by an annual actuarial valuation as of that date.

Actuarial assumptions:

The total pension liability in the December 31, 2021 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
Investment rate of return:	7.00%, net of investment and administrative expenses

Although no specific price inflation assumptions are needed for the valuation, the 3.00% long-term wage inflation assumption would be consistent with a price inflation of 2.50%.

## HOWELL CARNEGIE DISTRICT LIBRARY

## NOTES TO FINANCIAL STATEMENTS (Continued)

## Note 10. AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial assumptions (concluded):

Mortality rates were based on a 50% male and 50% female blend of the RP-2014 Health Annuitant Mortality Tables, with rates multiplied by 105%, RP-2014 Employee Mortality Tables, and RP-2014 Juvenile Mortality Tables.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study of 2014-2018.

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	60.00%	3.15%
Global fixed income	20.00%	0.25%
Private investments	20.00%	1.45%
	100.00%	4.85%

Discount rate:

The discount rate used to measure the total pension liability is 7.25% for the December 31, 2021 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.

## HOWELL CARNEGIE DISTRICT LIBRARY

## NOTES TO FINANCIAL STATEMENTS (Continued)

## Note 10. 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)
Balances at 12/31/20	\$ 2,282,063	1,849,593	432,470
Changes for the year			
Service cost	42,844	-	42,844
Interest	171,513	-	171,513
Difference between expected and actual experience	(9,436)	-	(9,436)
Changes in assumptions	92,842	-	92,842
Employer contributions	-	622,478	(622,478)
Net investment income	-	289,697	(289,697)
Benefit payments, including employee refunds	(93,463)	(93,463)	-
Administrative expense	-	(3,338)	3,338
Net changes	204,300	815,374	(611,074)
Balances at 12/31/21	\$ 2,486,363	2,664,967	(178,604)

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

10

The following presents the net pension liability (asset) of the Library, calculated using the discount rate of 7.25%, as well as what the Library's net pension liability (asset) would be using a discount rate that is 1.00% lower (6.25%) or 1.00% higher (8.25%) than the current rate.

	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
Net pension liability (asset)	\$ 118,752	(178,604)	(430,355)

## HOWELL CARNEGIE DISTRICT LIBRARY

## NOTES TO FINANCIAL STATEMENTS (Continued)

## Note 10. 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, 2022, the Library recognized pension expense of \$90,910 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
Difference between expected and actual experience	\$ 27,272	8,654	18,618
Changes in assumptions	166,834	-	166,834
Net difference between projected and actual earnings on pension plan investments	<u>37,514</u>	<u>189,637</u>	<u>(152,123)</u>
	231,620	198,291	33,329
Contributions subsequent to the measurement date	<u>37,248</u>	<u>-</u>	<u>37,248</u>
Total	<u>\$ 268,868</u>	<u>198,291</u>	<u>70,577</u>

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 or increase in the net pension asset for the year ending June 30, 2023. 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:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 46,228
2024	(5,401)
2025	1,652
2026	<u>(9,150)</u>
	<u>\$ 33,329</u>

## HOWELL CARNEGIE DISTRICT LIBRARY

## NOTES TO FINANCIAL STATEMENTS (Continued)

## Note 11. 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	\$ 6,992,015
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.	6,546,657
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	178,604
Deferred outflows related to the net pension liability	268,868
Deferred inflows related to the net pension liability	(198,291)
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Long-term debt	(2,035,000)
Accrued interest payable	(5,088)
Compensated absences	(171,542)
Net position of governmental activities	<u>\$ 11,576,223</u>



## HOWELL CARNEGIE DISTRICT LIBRARY

## NOTES TO FINANCIAL STATEMENTS (Concluded)

## Note 11. RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS (Concluded)

Net change in fund balances - total governmental funds	\$ 281,676
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.	
Capital assets purchased	350,077
Depreciation expense	(571,669)
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.	150,000
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 pension	(232,070)
Decrease in accrued interest payable	374
Decrease in compensated absences	5,710
Decrease in net pension liability and increase in net pension asset	611,074
Increase in deferred inflows of resources related to pension	(43,362)
Change in net position of governmental activities	<u>\$ 551,810</u>

HOWELL CARNEGIE DISTRICT LIBRARY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2022

(Unaudited)

	Original Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 2,965,059	2,965,059	2,991,908	26,849
State aid	42,000	42,000	57,710	15,710
State penal fines	75,000	75,000	113,524	38,524
Fines and fees	200	200	2,148	1,948
Charges for services	3,785	3,785	10,077	6,292
Investment income (loss)	7,100	7,100	(2,400)	(9,500)
Miscellaneous	4,000	4,000	5,425	1,425
	<u>3,097,144</u>	<u>3,097,144</u>	<u>3,178,392</u>	<u>81,248</u>
Total revenues				
Expenditures				
Building and grounds maintenance	121,100	121,100	76,127	44,973
Capital outlay	50,000	80,000	68,682	11,318
Employee benefits	234,034	584,034	565,324	18,710
Information technology	244,000	244,000	225,475	18,525
Insurance	39,370	39,370	39,570	(200)
Materials and programming	438,000	438,000	375,840	62,160
Payroll taxes	91,450	91,450	76,840	14,610
Professional and contractual services	47,194	47,194	28,723	18,471
Salaries and wages	1,205,426	1,205,426	1,019,961	185,465
Supplies and other services and charges	81,750	81,750	41,518	40,232
Taxes and chargebacks	6,000	6,000	4,292	1,708
Training and education	30,000	30,000	17,194	12,806
Utilities	85,200	85,200	75,654	9,546
Other	128,420	98,420	-	98,420
	<u>2,801,944</u>	<u>3,151,944</u>	<u>2,615,200</u>	<u>536,744</u>
Total expenditures				
Excess of revenues over (under) expenditures	295,200	(54,800)	563,192	617,992
Other financing sources (uses)				
Transfers between funds	(216,050)	49,982	49,982	-
Change in fund balance	79,150	(4,818)	613,174	617,992
Fund balance - beginning of year	<u>5,097,904</u>	<u>5,097,904</u>	<u>5,097,904</u>	<u>-</u>
Fund balance - end of year	<u>\$ 5,177,054</u>	<u>5,093,086</u>	<u>5,711,078</u>	<u>617,992</u>

HOWELL CARNEGIE DISTRICT LIBRARY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 SPECIAL REVENUE FUND  
 YEAR ENDED JUNE 30, 2022

(Unaudited)

	Original Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenues				
Investment income (loss)	\$ 1,525	1,525	426	(1,099)
Contributions	44,000	90,000	68,648	(21,352)
Total revenues	<u>45,525</u>	<u>91,525</u>	<u>69,074</u>	<u>(22,451)</u>
Expenditures				
Capital outlay	10,000	56,000	55,114	886
Supplies and other services and charges	45,000	45,000	4,211	40,789
Total expenditures	<u>55,000</u>	<u>101,000</u>	<u>59,325</u>	<u>41,675</u>
Excess of revenues over (under) expenditures	(9,475)	(9,475)	9,749	19,224
Fund balance - beginning of year	<u>714,347</u>	<u>714,347</u>	<u>714,347</u>	<u>-</u>
Fund balance - end of year	<u>\$ 704,872</u>	<u>704,872</u>	<u>724,096</u>	<u>19,224</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, 2022

(Unaudited)

	Year Ended June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability								
Service cost	\$ 42,844	42,369	40,925	39,818	41,016	36,545	34,582	36,985
Interest	171,513	152,777	148,509	134,677	120,923	114,198	107,154	94,719
Difference between expected and actual experience	(9,436)	21,922	(2,757)	70,586	50,591	(50,290)	(65,214)	-
Changes of assumptions	92,842	119,552	52,067	-	-	-	69,740	-
Benefit payments, including employee refunds	(93,463)	(87,187)	(84,045)	(61,406)	(18,616)	(18,616)	(18,616)	(18,616)
Other	-	-	-	-	-	-	-	2,961
Net change in total pension liability	204,300	249,433	154,699	183,675	193,914	81,837	127,646	116,049
Total pension liability beginning balance	2,282,063	2,032,630	1,877,931	1,694,256	1,500,342	1,418,505	1,290,859	1,174,810
Total pension liability ending balance	\$ 2,486,363	2,282,063	2,032,630	1,877,931	1,694,256	1,500,342	1,418,505	1,290,859
Plan fiduciary net position								
Contributions- employer	\$ 622,478	68,428	49,498	44,212	46,184	36,600	32,370	35,740
Net investment income (loss)	289,697	212,725	202,595	(62,226)	184,645	140,378	(18,861)	72,479
Benefit payments, including employee refunds	(93,463)	(87,187)	(84,045)	(61,406)	(18,616)	(18,616)	(18,616)	(18,616)
Administrative expense	(3,338)	(3,345)	(3,491)	(3,077)	(2,915)	(2,769)	(2,716)	(2,674)
Net change in plan fiduciary net position	815,374	190,621	164,557	(82,497)	209,298	155,593	(7,823)	86,929
Plan fiduciary net position beginning balance	1,849,593	1,658,972	1,494,415	1,576,912	1,367,614	1,212,021	1,219,844	1,132,915
Plan fiduciary net position ending balance	\$ 2,664,967	1,849,593	1,658,972	1,494,415	1,576,912	1,367,614	1,212,021	1,219,844
Employer net pension liability (asset)	\$ (178,604)	432,470	373,658	383,516	117,344	132,728	206,484	71,015
Plan fiduciary net position as a percentage of the total pension liability	107%	81%	82%	80%	93%	91%	85%	94%
Covered employee payroll	\$ 602,594	600,972	582,971	572,924	593,575	526,589	491,923	526,109
Employer's net pension liability (asset) as a percentage of covered employee payroll	-30%	72%	64%	67%	20%	25%	42%	13%

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

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

HOWELL CARNEGIE DISTRICT LIBRARY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 YEAR ENDED JUNE 30, 2022

(Unaudited)

	Year Ended June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Actuarial determined contributions	\$ 75,554	74,381	53,748	45,888	44,658	44,140	32,240	33,443
Contributions in relation to the actuarially determined contributions	<u>75,554</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>	<u>33,443</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered employee payroll	\$ 599,159	677,423	599,197	565,820	526,007	556,620	533,775	517,700
Contributions as a percentage of covered employee payroll	12.61%	10.98%	8.97%	8.11%	8.49%	7.93%	6.04%	6.46%

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

## 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 10 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 2021/2022 fiscal year contribution rate:

Valuation date:	12/31/2019
Actuarial cost method:	Entry age normal cost
Amortization method:	Level percentage, open
Remaining amortization period:	19 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:	7.35%, net of administrative and investment expenses
Retirement age:	60 years, 8 years service
Mortality:	Life expectancies based on a 50% male / 50% female blend of the following tables: RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%, RP-2014 Employee Mortality Tables, and RP-2014 Juvenile Mortality Tables

HOWELL CARNEGIE DISTRICT LIBRARY  
 COMBINING GOVERNMENTAL FUNDS BALANCE SHEET  
 NONMAJOR FUNDS  
 JUNE 30, 2022

	<u>Endowment Fund</u>	<u>Equipment and Furnishings Replacement Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Funds</u>
Assets				
Beneficial interest in assets held by Community Foundation for Southeast Michigan	\$ 556,841	-	-	556,841
Fund balances				
Nonspendable	\$ 556,841	-	-	556,841

HOWELL CARNEGIE DISTRICT LIBRARY  
 COMBINING STATEMENT OF GOVERNMENTAL REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR FUNDS  
 YEAR ENDED JUNE 30, 2022

	Endowment Fund	Equipment and Furnishings Replacement Fund	Debt Service Fund	Total Nonmajor Funds
Revenues				
Investment income (loss)	\$ -	27	-	27
Change in value of beneficial interest in assets held by Community Foundation for Southeast Michigan	<u>(75,242)</u>	<u>-</u>	<u>-</u>	<u>(75,242)</u>
Total revenues	<u>(75,242)</u>	<u>27</u>	<u>-</u>	<u>(75,215)</u>
Expenditures				
Debt service	<u>-</u>	<u>-</u>	<u>216,050</u>	<u>216,050</u>
Excess of revenues over (under) expenditures	(75,242)	27	(216,050)	(291,265)
Other financing sources (uses)				
Transfers between funds	<u>-</u>	<u>(266,032)</u>	<u>216,050</u>	<u>(49,982)</u>
Change in fund balances	(75,242)	(266,005)	-	(341,247)
Fund balances - beginning of year	<u>632,083</u>	<u>266,005</u>	<u>-</u>	<u>898,088</u>
Fund balances - end of year	<u>\$ 556,841</u>	<u>-</u>	<u>-</u>	<u>556,841</u>