

**MOUNT CLEMENS PUBLIC LIBRARY
MOUNT CLEMENS, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)**

YEAR ENDED JUNE 30, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Library Board of the
Mount Clemens Public Library
Mount Clemens, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mount Clemens Public Library, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Mount Clemens Public 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 Mount Clemens Public 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mount Clemens Public 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.

Change in Accounting Principle

As discussed in Note 10 to the financial statements, the Library adopted GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Mount Clemens Public Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mount Clemens Public 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 and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Manes Costeiran PC

October 17, 2025

MOUNT CLEMENS PUBLIC LIBRARY MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Library's financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2025. Please read it in conjunction with the Library's financial statements.

FINANCIAL HIGHLIGHTS

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the fiscal year ended June 30, 2025:

- The assets and deferred outflows of resources of the Library exceeded its liabilities and deferred inflows of resources at the end of the most recent fiscal year by \$2,277,218 (net position) at the government-wide level.
- The Library's total net position increased by \$738,035 at the government-wide level.
- The combined assets of the Library's governmental funds exceeded its combined liabilities at the end of the most recent fiscal year by \$1,263,551 (combined fund balance).
- The combined fund balance of the Library's governmental funds increased by \$678,666.

Using this Annual Report

This annual report consists of a series of financial statements. 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. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the 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.

**MOUNT CLEMENS PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Library as a Whole

The following table shows, in a condensed comparative format, the net position as of June 30, 2025 and 2024.

	Restated June 30, 2024	Change		June 30, 2025
ASSETS				
Current and other assets	\$ 652,410	\$ 706,476	108%	\$ 1,358,886
Capital assets, net	<u>10,777,620</u>	<u>(575,041)</u>	-5%	<u>10,202,579</u>
TOTAL ASSETS	<u>11,430,030</u>	<u>131,435</u>	1%	<u>11,561,465</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>250,027</u>	<u>(85,788)</u>	-34%	<u>164,239</u>
LIABILITIES				
Current liabilities	120,762	284,074	235%	404,836
Noncurrent liabilities	<u>9,323,142</u>	<u>(1,063,552)</u>	-11%	<u>8,259,590</u>
TOTAL LIABILITIES	<u>9,443,904</u>	<u>(779,478)</u>	-8%	<u>8,664,426</u>
DEFERRED INFLOWS OF RESOURCES	<u>696,970</u>	<u>87,090</u>	12%	<u>784,060</u>
NET POSITION				
Net investment in capital assets	2,496,405	(418,101)	-17%	2,078,304
Restricted	122,566	(70,210)	-57%	52,356
Unrestricted	<u>(1,079,788)</u>	<u>1,226,346</u>	-114%	<u>146,558</u>
TOTAL NET POSITION	<u>\$ 1,539,183</u>	<u>\$ 738,035</u>	48%	<u>\$ 2,277,218</u>

**MOUNT CLEMENS PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following table shows the changes in net position in a comparative format for the years ending June 30, 2025 and June 30, 2024, respectively.

	Year End* June 30, 2024	Change		Year Ended June 30, 2025
REVENUES				
Charges for services	\$ 9,976	\$ 1,661	17%	\$ 11,637
Operating grants and contributions	122,548	1,318	1%	123,866
General revenue				
Property taxes	1,975,375	79,228	4%	2,054,603
State aid - unrestricted	18,815	5,406	29%	24,221
Penal fines	27,920	(16,792)	-60%	11,128
Investment earnings	23,205	(2,764)	-12%	20,441
Miscellaneous	13,525	728,363	5385%	741,888
TOTAL REVENUES	2,191,364	796,420	36%	2,987,784
EXPENSES				
Recreation and culture				
Library services/operations	1,483,365	511,395	34%	1,994,760
Interest on long-term debt	231,526	23,463	10%	254,989
TOTAL EXPENSES	1,714,891	534,858	31%	2,249,749
Change in net position	476,473	261,562	55%	738,035
Beginning net position, as restated	1,062,710	476,473	45%	1,539,183
Ending net position	<u>\$ 1,539,183</u>	<u>\$ 738,035</u>	48%	<u>\$ 2,277,218</u>

- The amounts for the year ended June 30, 2024, have not been updated for the adoption of GASB Statement No. 101, *Compensated Absences*.

Governmental Activities

The Library's revenues increased compared to the prior fiscal year. The greatest revenue source was property taxes that make up approximately 69% of total governmental revenue. The Library's revenue increased as a result of the following:

- Increase in property tax values which correspondingly increased property tax revenue.
- Recognition of federal rebates for the geothermal energy project.

The Library's expenditures increased compared to the prior fiscal year. As a special purpose government, all of the governmental expenses incurred are associated with the library service function. The Library's revenue increased as a result of the following:

- Hiring of additional employees plus pay raises provided during the fiscal year and increase in related payroll taxes and fringe benefits.
- Addition of finishing touches on the building remodel and completion of the final punch list of items.

**MOUNT CLEMENS PUBLIC LIBRARY
MANAGEMENT’S DISCUSSION AND ANALYSIS**

- Increase in supplies and general costs as a result of inflation.
- Increase in online services through increased patron usage.

The Library’s Funds

The analysis of the Library’s major funds follows the government-wide financial statements. The fund financial statements provide detailed information about the specific funds, not the Library as a whole. The Library’s Board may create funds to help manage money for specific purposes as well as to show accountability for certain activities. The Library maintains three governmental funds. Information for each of these funds is presented in the governmental funds balance sheet and in the government funds statement of revenues, expenditures, and changes in fund balances for the Library. The General Fund and the Debt Service Fund are considered major funds for the fiscal year ended June 30, 2025, for financial reporting purposes as defined by GASB Statement No. 34.

The fund balance and net changes of the Library’s governmental funds as of June 30, 2025, and the year then ended are summarized in the following chart:

Fund Balance as of:	General Fund	Debt Service Fund	Capital Projects Fund
June 30, 2025	\$ 1,232,495	\$ 31,056	\$ -
June 30, 2024	\$ 471,425	\$ 39,752	\$ 73,708
Change	\$ 761,070	\$ (8,696)	\$ (73,708)

General Fund

The General Fund pays for the Library’s governmental services. The sole service provided during the fiscal year was library services. Unless otherwise required by statute, contractual agreement, or Board policy in accordance with GASB Statement No. 54, all Library revenues and expenditures are recorded in the General Fund. At the end of the current fiscal year, the total fund balance had increased approximately 161%, due primarily to an increase in property tax values which correspondingly increased property tax revenue and the recognition of federal rebates for the geothermal energy project.

Debt Service Fund

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The Debt Service Fund reported a decrease in fund balance after debt service payments exceeded the property tax revenue received.

Capital Projects Fund

The Capital Projects Fund accounts for the resources received through the Building and Site Bonds for the remodel of the Library’s building. This remodel project was completed and the fund closed during the fiscal year after the transfer of funds borrowed was returned to the General Fund.

**MOUNT CLEMENS PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

General Fund Budgetary Highlights

The Library adopts an annual budget for the General Fund. A budgetary comparison statement has been provided as required supplementary information to demonstrate compliance with this budget. Over the course of the fiscal year, the Library's Board revised the General Fund's budget. The significant variances related to the General Fund's budget are noted below.

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Variance Between Original and Final Budget</u>	<u>Actual</u>	<u>Variance Between Final Budget and Actual</u>
Revenue					
Property taxes	\$ 1,708,385	\$ 1,708,385	\$ -	\$ 1,603,023	\$ (105,362)
Charges for services	3,800	119,340	115,540	8,190	(111,150)
Other					
Refunds and rebates	-	-	-	741,305	741,305
Expenditures					
Current					
Recreation and culture					
Salaries and wages	1,034,152	1,024,777	(9,375)	960,946	(63,831)
Fringe benefits	411,750	412,986	1,236	340,289	(72,697)
Other	206,210	8,750	(197,460)	7,187	(1,563)
Capital outlay					
Books and other materials	135,000	113,569	(21,431)	101,179	(12,390)
Other	300,000	15,000	(285,000)	14,621	(379)
Transfers in	600,000	-	(600,000)	73,708	73,708

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of the fiscal year, the Library's investment in capital assets includes in land, construction in progress, land improvements, building and improvements, furniture and equipment, vehicles, and the collection (net of accumulated depreciation). Refer to Note 5 of the notes to the financial statements for more detailed information related to capital assets. The summary of capital assets as of June 30, 2025, is presented below.

	<u>June 30, 2024</u>	<u>Change</u>	<u>June 30, 2025</u>
Land	\$ -	\$ 250,000	\$ 250,000
Construction in progress	9,871,421	(9,871,421)	-
Land improvements, net	96,645	(18,004)	78,641
Building and improvements, net	398,846	9,116,336	9,515,182
Furniture and equipment, net	131,116	(47,090)	84,026
Vehicles, net	42,792	(16,047)	26,745
Collection, net	236,800	11,185	247,985
	<u>\$ 10,777,620</u>	<u>\$ (575,041)</u>	<u>\$ 10,202,579</u>

**MOUNT CLEMENS PUBLIC LIBRARY
MANAGEMENT’S DISCUSSION AND ANALYSIS**

The net increase/(decrease) in the Library’s investment in capital assets was primarily a result of the following:

- Additions to the Library’s collection.
- Reclassification of construction in progress related to the building remodel to in-service.
- Depreciation expense on the Library’s assets.

Long-term Obligations - At the end of the current year, the Library had one long-term obligation outstanding aside from the related bond premium and compensated absences. Refer to Note 6 to the financial statements for more detailed information related to long-term obligations. A summary of long-term as of June 30, 2025, is presented below.

	Restated June 30, 2024	Change	June 30, 2025
Building and Site Bonds	\$ 7,785,000	\$ (240,000)	\$ 7,545,000
Bond premium	608,239	(28,964)	579,275
Compensated absences	62,343	5,657	68,000
	\$ 8,455,582	\$ (263,307)	\$ 8,192,275

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The major sources of revenue for the Library continue to be property taxes and State aid. These sources have certain upward limitations that are outside of the control of the Library. Anticipated increases in taxable value are allowing the Library to look for additional ways to provide services for patrons while continuing to sustain the Library’s current activities and programs

The Library continues to emphasize disciplined cost controls. It is anticipated that the largest expenditures going forward will continue to be personnel costs, debt service, and the Library’s collection of books and materials.

CONTACTING THE LIBRARY’S MANAGEMENT

This financial report is intended to provide our patrons and taxpayers with a general overview of the Library’s finances and demonstrate 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 Library’s Administration at 150 Cass Ave., Mount Clemens, MI 48043.

BASIC FINANCIAL STATEMENTS

**MOUNT CLEMENS PUBLIC LIBRARY
STATEMENT OF NET POSITION
JUNE 30, 2025**

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 142,508
Investments	400,737
Accounts receivable	1,137
Due from other governmental units	752,433
Prepays	<u>9,715</u>
Total current assets	<u>1,306,530</u>
Noncurrent assets	
Capital assets not being depreciated	250,000
Capital assets, net of accumulated depreciation	9,952,579
Net OPEB asset	<u>52,356</u>
Total noncurrent assets	<u>10,254,935</u>
TOTAL ASSETS	<u>11,561,465</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	150,787
Related to OPEB	<u>13,452</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>164,239</u>
LIABILITIES	
Current liabilities	
Accounts payable	20,790
Accrued liabilities	20,499
Accrued retirement	1,690
Accrued interest payable	34,713
Current portion of compensated absences	38,180
Current portion of long-term debt	<u>288,964</u>
Total current liabilities	<u>404,836</u>
Noncurrent liabilities	
Noncurrent portion of compensated absences	29,820
Noncurrent portion of long-term debt	7,835,311
Net pension liability	<u>394,459</u>
Total noncurrent liabilities	<u>8,259,590</u>
TOTAL LIABILITIES	<u>8,664,426</u>
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	627,204
Related to OPEB	<u>156,856</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>784,060</u>
NET POSITION	
Net investment in capital assets	2,078,304
Restricted	
Other post-employment benefits	52,356
Unrestricted	<u>146,558</u>
TOTAL NET POSITION	<u>\$ 2,277,218</u>

See notes to financial statements.

**MOUNT CLEMENS PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025**

<u>Function/Program</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities				
Recreation and culture	\$ 1,994,760	\$ 11,637	\$ 123,866	\$ (1,859,257)
Interest on long-term debt	254,989	-	-	(254,989)
	<u>\$ 2,249,749</u>	<u>\$ 11,637</u>	<u>\$ 123,866</u>	<u>(2,114,246)</u>
General revenues				
Property taxes				2,054,603
State aid - unrestricted				24,221
Penal fines				11,128
Investment earnings				20,441
Miscellaneous				<u>741,888</u>
Total general revenues				<u>2,852,281</u>
Change in net position				<u>738,035</u>
Net position, beginning of year, as previously presented				1,601,526
Change in accounting principles				<u>(62,343)</u>
Net position, beginning of year, as restated				<u>1,539,183</u>
Net position, end of year				<u>\$ 2,277,218</u>

See notes to financial statements.

**MOUNT CLEMENS PUBLIC LIBRARY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2025**

	General	Debt Service	Nonmajor Governmental Fund (Capital Projects)	Total
ASSETS				
Cash	\$ 142,453	\$ 55	\$ -	\$ 142,508
Investments	400,737	-	-	400,737
Accounts receivable	1,137	-	-	1,137
Due from other funds	-	31,001	-	31,001
Due from other governments	752,433	-	-	752,433
Prepays	9,715	-	-	9,715
TOTAL ASSETS	\$ 1,306,475	\$ 31,056	\$ -	\$ 1,337,531
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 20,790	\$ -	\$ -	\$ 20,790
Accrued liabilities	20,499	-	-	20,499
Accrued retirement	1,690	-	-	1,690
Due to other funds	31,001	-	-	31,001
TOTAL LIABILITIES	73,980	-	-	73,980
FUND BALANCES				
Nonspendable - prepaids	9,715	-	-	9,715
Restricted				
Debt service	-	31,056	-	31,056
Unassigned	1,222,780	-	-	1,222,780
TOTAL FUND BALANCES	1,232,495	31,056	-	1,263,551
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,306,475	\$ 31,056	\$ -	\$ 1,337,531

See notes to financial statements.

**MOUNT CLEMENS PUBLIC LIBRARY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025**

Total fund balance - governmental fund \$ 1,263,551

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

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

The cost of capital assets is	\$ 13,765,150	
Accumulated depreciation is	(3,562,571)	
Capital assets, net		10,202,579

Some assets are not current financial resources and therefore are not reported in the Government Funds Balance Sheet. Noncurrent assets at year-end consist of:

Net OPEB asset	52,356
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Governmental funds report actual pension/OPEB expenditures for the fiscal year, whereas the governmental activities will recognize the net pension/OPEB liability (asset) as of the measurement date. Pension/OPEB contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, net differences between projected and actual pension plan investment earnings, and changes in proportion and differences between employer contributions and proportionate share of contributions will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions	150,787	
Deferred outflows of resources related to OPEB	13,452	
Deferred inflows of resources related to pensions	(627,204)	
Deferred inflows of resources related to OPEB	(156,856)	
		(619,821)

Long-term liabilities, are not due and payable in the current period and therefore are not reported in the Governmental Fund Balance Sheet. Long-term liabilities at year end consist of:

Long-term debt	(8,124,275)	
Accrued interest payable	(34,713)	
Compensated absences	(68,000)	
Net pension liability	(394,459)	
		(8,621,447)

Net position of governmental activities \$ 2,277,218

See notes to financial statements.

**MOUNT CLEMENS PUBLIC LIBRARY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2025**

	General	Debt Service	Nonmajor Governmental Fund (Capital Projects)	Total
REVENUES				
Property taxes	\$ 1,603,023	\$ 451,580	\$ -	\$ 2,054,603
Intergovernmental	157,616	-	-	157,616
Charges for services	8,190	-	-	8,190
Fines and forfeits	356	-	-	356
Interest and rents	23,532	-	-	23,532
Other	743,487	-	-	743,487
TOTAL REVENUES	2,536,204	451,580	-	2,987,784
EXPENDITURES				
Current				
Recreation and culture				
Salaries and wages	960,946	-	-	960,946
Fringe benefits	340,289	-	-	340,289
Supplies	32,965	-	-	32,965
Professional and contracted services	105,169	-	-	105,169
Online services	53,648	-	-	53,648
Conferences and travel	6,768	-	-	6,768
Memberships	4,916	-	-	4,916
Utilities	61,011	-	-	61,011
Insurance	13,684	-	-	13,684
Building and grounds	82,312	-	-	82,312
Technology	23,800	-	-	23,800
Programs	24,088	-	-	24,088
Local history	16,259	-	-	16,259
Other	7,187	-	-	7,187
Capital outlay	115,800	-	-	115,800
Debt service	-	460,276	-	460,276
TOTAL EXPENDITURES	1,848,842	460,276	-	2,309,118
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	687,362	(8,696)	-	678,666
OTHER FINANCING SOURCES (USES)				
Transfers in	73,708	-	-	73,708
Transfers out	-	-	(73,708)	(73,708)
TOTAL OTHER FINANCING SOURCES (USES)	73,708	-	(73,708)	-
NET CHANGE IN FUND BALANCES	761,070	(8,696)	(73,708)	678,666
Fund balances, beginning of year	471,425	39,752	73,708	584,885
Fund balances, end of year	<u>\$ 1,232,495</u>	<u>\$ 31,056</u>	<u>\$ -</u>	<u>\$ 1,263,551</u>

See notes to financial statements.

MOUNT CLEMENS PUBLIC LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

Net change in fund balance - total governmental fund \$ 678,666

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

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 112,519	
Depreciation expense	<u>(687,560)</u>	
Excess of depreciation expense over capital outlay		(575,041)

Certain transactions related to long-term debt are reported as expenditures or other financing sources/uses in governmental funds, but the borrowings increase long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Principal payments	240,000	
Amortization of bond premium	<u>28,964</u>	
		268,964

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 the governmental fund. These activities consist of:

(Increase) in accrued interest payable	(34,713)	
(Increase) in compensated absences	(5,657)	
Decrease in net pension liability	535,444	
Change in deferred outflows of resources related to pension	(70,356)	
Change in deferred inflows of resources related to pension	(129,713)	
Increase in net OPEB asset	43,250	
Change in deferred outflows of resources related to OPEB	(15,432)	
Change in deferred inflows of resources related to OPEB	<u>42,623</u>	
		<u>365,446</u>

Change in net position of governmental activities \$ 738,035

**MOUNT CLEMENS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mount Clemens Public Library was founded in 1865 and was reorganized in 1994 as a district library and is considered a local governmental unit. It is governed by a seven member board of trustees.

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

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the Library (primary government). The Library has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Library contain all the funds controlled by the Library Board.

Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the Library as a whole.

The statement of activities presents the direct functional expenses of the Library and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to meeting the operational and capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes property taxes, unrestricted State aid, interest, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

The fund financial statements present the Library's individual major and nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**MOUNT CLEMENS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS (continued)

The Library presents the following *Major Governmental Funds*:

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

The *Debt Service Fund* is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The Library also presents the following *Fund Types*:

The *Capital Projects Fund* is used to account for the acquisition of capital assets or construction of major capital projects.

Measurement Focus

The government-wide financial statements 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.

All governmental funds 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 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.

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 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. Unearned revenue is recorded when resources are received by the Library before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenses.

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. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current period. 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.

**MOUNT CLEMENS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

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 needed.

Budgets and Budgetary Accounting

An annual appropriated budget is adopted for the General Fund. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

The Library does not maintain a formalized encumbrance accounting system. All annual appropriations lapse at the end of the fiscal period.

The General Fund budget shown as required supplementary information to the financial statements was prepared on a basis consistent with the basis used to reflect actual results. The Library employs the following procedures in establishing the budgetary data reflected in the financial statements.

- The Library prepares the proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and resources to finance them.
- Prior to incurring significant expenditures, the budget is legally enacted through Library Board action.
- The budget is legally adopted at the functional level; however, it is maintained at the account level for control purposes.
- Budgeted amounts are reported as originally adopted or amended by the Library Board during the year.

Cash and Investments

Cash consists of checking accounts and petty cash.

Investments consist of uncategorized pooled investments held as a class of shares in the Michigan Liquid Asset Fund Plus (MILAF+) portfolio.

In accordance with Michigan Compiled Laws, the Library is authorized to invest in the following investment vehicles:

- Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

**MOUNT CLEMENS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Investments (continued)

- Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, and which matures not more than 270 days after the date of purchase.
- The United States government or Federal agency obligations repurchase agreements.
- Bankers' acceptances of United States banks.
- Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Due From Other Governmental Units

Due from other governmental units consists of unpaid penal fines and federal rebates for a geothermal energy project that are still owed to the Library at year-end.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition value on the date received.

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. Land and construction in progress, if any, are not depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	10-15 years
Building and improvements	20-50 years
Furniture and equipment	5-10 years
Vehicles	5 years
Collection	5 years

**MOUNT CLEMENS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Defined Benefit Plans

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

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred Outflows of Resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred Inflows of Resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The Library has certain items that qualify for reporting in these categories and are reported in the government-wide financial statement of net position. These items correspond to the Library's net pension/OPEB liability (asset) and are related to differences between expected and actual experience, changes in assumptions, differences between projected and actual pension plan investment earnings, and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

Compensated Absences

The Library recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability for compensated absences is reported as incurred in the government-wide financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements.

Paid time off is earned in varying amounts depending on the number of years of service of an employee and is made available on the anniversary date of the employee. The liability for compensated absences included salary-related benefits, where applicable.

Long-term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

**MOUNT CLEMENS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-term Obligations (continued)

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

Details of Fund Balance Classifications

Fund balance classifications comprise a hierarchy 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. The following are the five classifications of fund balance:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision-making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the Library's highest level of decision-making authority is the Library Board. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is action by the Library Board.

For assigned fund balance, the Library has not adopted a policy indicating who is to assign amounts to a specific purpose. As a result, this authority is retained by the Library Board.

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 restricted amounts to have been spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Also, for the classification of fund balances, the Library considers committed, then assigned, and finally unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**MOUNT CLEMENS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Taxes

The municipalities within the Library’s jurisdictional territory levy and collect property taxes for the Library. As the Library tax is collected it is remitted by the municipalities’ Treasurers. At March 1, each year the municipalities settle their delinquent taxes with the County Treasurer and the unpaid real property tax is remitted to the Library by the County Treasurer. Delinquent personal property taxes are retained by the local municipalities’ Treasurers for subsequent collection.

The Library is permitted to levy up to \$2.8556 per \$1,000 of assessed valuation on property within the Library’s district plus additional amounts for debt service. For the year ended June 30, 2025, the Library levied 2.5629 mills for library operations and 0.7200 mills for debt service. Total taxable value for the 2024 levy before was \$637,038,405.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The cash and investments referred to below have been reported on the financial statements, based upon criteria disclosed in Note 1. The following summarizes the categories of these amounts as of June 30, 2025.

Cash		\$ 142,508
Investments		400,737
		\$ 543,245

As of June 30, 2025, the Library had cash and investments summarized by the following categorization:

Deposits		
Checking		\$ 142,432
Petty cash		76
Investments		400,737
		\$ 543,245

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Library’s deposits may not be returned to it. As of June 30, 2025, none of the Library’s bank balance of \$157,697 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**MOUNT CLEMENS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Library has not adopted a policy that indicates how the Library will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Library will do business.

Interest Rate Risk

The Library has not adopted a policy that indicates how the Library will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio in a manner to attain a market rate of return throughout the budgetary and economic cycles while preserving and protecting capital.

Investment Type	Fair Value	Weighted Average Maturity (Years)	Standard & Poor's Rating
MILAF External Investment Pool - GovMIC	<u>\$ 400,737</u>	<u>0.1041</u>	AAAm

One day maturity equals 0.0027, one year equals 1.00.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. As of June 30, 2025, the Library's investments subject to rating are noted above.

Concentration of Credit Risk

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

Foreign Currency Risk

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

**MOUNT CLEMENS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Investments in Entities that Calculate Net Asset Value per Share

The Library holds shares or interest in Governments of Michigan Investing Cooperatively (GovMIC) which is the marketing name used to describe a class of shares of the MILAF+ Portfolio of the Michigan Liquid Asset Fund Plus (MILAF+) comprehensive cash management program. The MILAF+ Portfolio is a short-term liquid portfolio and cash management vehicle whose objective is to earn a high rate of return while preserving principal, providing liquidity and seeking a stable net asset value (NAV) of \$1.00. The GovMIC Class offers a competitive rate exclusively for governmental entities, including counties, municipalities, and townships/villages under the State of Michigan’s Public Act 20 and is designed to meet the needs of Michigan public sector investors.

At the year ended June 30, 2025, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
MILAF External Investment Pool - GovMIC	<u>\$ 400,737</u>	<u>\$ -</u>	No restrictions	14 days

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2025, are as follows:

	<u>Due From Other Funds</u>
	Debt
	<u>Service Fund</u>
Due To Other Funds	
General Fund	<u>\$ 31,001</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not yet cleared as of the balance sheet date.

**MOUNT CLEMENS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - 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 funds have been eliminated. The amount of interfund transfers during the year ended June 30, 2025, are as follows:

	Transfers Out
	Nonmajor
	Governmental
	Fund
	(Capital Projects)
Transfers In General Fund	\$ 73,708

The transfer from the nonmajor governmental funds to the General Fund was refund dollars the General Fund originally fronted for the Library building remodel project that did not end up being necessary.

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2024	Additions	Deletions	Reclassifications	Balance June 30, 2025
Capital assets not being depreciated					
Land	\$ -	\$ -	\$ -	\$ 250,000	\$ 250,000
Construction in progress	9,871,421	1,200	-	(9,872,621)	-
	9,871,421	1,200	-	(9,622,621)	250,000
Capital assets being depreciated					
Land improvements	196,718	-	-	-	196,718
Building and improvements	1,520,994	-	-	9,622,621	11,143,615
Furniture and equipment	325,519	11,000	-	-	336,519
Vehicles	80,235	-	-	-	80,235
Collection	1,657,744	100,319	-	-	1,758,063
Subtotal	3,781,210	111,319	-	9,622,621	13,515,150
Less accumulated depreciation for:					
Land improvements	(100,073)	(18,004)	-	-	(118,077)
Building and improvements	(1,122,148)	(506,285)	-	-	(1,628,433)
Furniture and equipment	(194,403)	(58,090)	-	-	(252,493)
Vehicles	(37,443)	(16,047)	-	-	(53,490)
Collection	(1,420,944)	(89,134)	-	-	(1,510,078)
Total accumulated depreciation	(2,875,011)	(687,560)	-	-	(3,562,571)
Net capital assets being depreciated	906,199	(576,241)	-	9,622,621	9,952,579
Capital assets, net	\$ 10,777,620	\$ (575,041)	\$ -	\$ -	\$ 10,202,579

Depreciation expense was charged to the lone governmental function (recreation and culture).

**MOUNT CLEMENS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations (including current portion) of the Library for the year ended June 30, 2025:

	Restated Balance <u>July 1, 2024</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2025</u>	Amounts Due Within <u>One Year</u>
General Obligation Bonds					
Building and Site Bonds	\$ 7,785,000	\$ -	\$ (240,000)	\$ 7,545,000	\$ 260,000
Bond premium	608,239	-	(28,964)	579,275	28,964
Compensated absences*	<u>62,343</u>	<u>5,657</u>	<u>-</u>	<u>68,000</u>	<u>38,180</u>
	<u>\$ 8,455,582</u>	<u>\$ 5,657</u>	<u>\$ (268,964)</u>	<u>\$ 8,192,275</u>	<u>\$ 327,144</u>

*The change in the compensated absences liability is presented as a net change.

Significant details regarding outstanding long-term obligations (including current portion) are presented below:

General Obligation Bonds

\$8,350,000 Building and Site Bonds dated April 8, 2021, due in annual installments ranging from \$260,000 to \$460,000 from May 1, 2026 through May 1, 2045, with interest ranging from 2.00% to 5.00%, payable semi-annually.

\$ 7,545,000

Bond premium on 2021 Library Building and Site Bonds, net of amortization

579,275

Compensated absences

68,000

\$ 8,192,275

The annual requirements to pay the debt principal and interest outstanding for the lease are as follows:

Year Ending <u>June 30,</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 260,000	\$ 208,276
2027	280,000	195,276
2028	295,000	181,274
2029	310,000	166,526
2030	325,000	151,026
2031-2035	1,825,000	561,181
2036-2040	2,025,000	360,231
2041-2045	<u>2,225,000</u>	<u>145,868</u>
	<u>\$ 7,545,000</u>	<u>\$ 1,969,658</u>

**MOUNT CLEMENS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS WITH MPSERS

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www.michigan.gov/orsschools.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State of Michigan Investment Board serves as the investment fiduciary and custodian for the System.

Benefits Provided - Overall

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the plans offered by MPSERS is as follows:

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Closed
Defined Contribution	Defined Contribution	Closed

Benefits Provided - Pension

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

**MOUNT CLEMENS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS WITH MPSERS (continued)

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below:

Option 1 - Members voluntarily elected to increase their contributions to the pension fund as noted below and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic Plan Members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 - Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 - Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

**MOUNT CLEMENS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS WITH MPSERS (continued)

Option 4 - Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k)-account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012 choose between two retirement plans: The Pension Plus Plan and a Defined Contribution Plan that provides a 50% employer match (up to 3% of salary) on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus Plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 Plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 Plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 Plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

New employees hired between February 1, 2018 and June 30, 2024, are automatically enrolled as members in the Pension Plus 2 Plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus 2 Plan and become a qualified participant to the DC Plan; if no election is made they will default to the DC Plan. If they elect to opt out of the Pension Plus 2 Plan, their participation in the DC Plan will be retroactive to their date of hire.

Pension Reform of 2023

On November 29, 2023, the Governor signed Public Act 250 of 2023 into law. New employees hired after June 30, 2024, are automatically enrolled as members in the Pension Plus 2 Plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus 2 Plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus 2 Plan. If they elect to opt out of the Pension Plus 2 Plan, their participation in the DC Plan will be retroactive to their date of hire.

**MOUNT CLEMENS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS WITH MPSERS (continued)

Benefits Provided - Other Postemployment Benefit (OPEB)

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Retiree Healthcare Reform of 2012

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees' Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

Regular Retirement (no reduction factor for age)

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through their 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the Defined Contribution Plan are not required to make additional contributions.

**MOUNT CLEMENS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS WITH MPSERS (continued)

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of pension benefits and OPEB. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2024 were determined as of the September 30, 2021 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2021 are amortized over a 15-year period beginning October 1, 2023 and ending September 30, 2038.

The Library’s contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	Pension	Other Post-Employment Benefits
October 1, 2024 - September 30, 2025	20.96% - 30.11%	0.00% - 1.25%
October 1, 2023 - September 30, 2024	13.90% - 23.03%	7.06% - 8.31%

The Library’s pension contributions for the year ended June 30, 2025, were equal to the required contribution total. Total pension contributions were approximately \$103,000. Of the total pension contributions approximately \$101,000 was contributed to fund the Defined Benefit Plan and approximately \$2,000 was contributed to fund the Defined Contribution Plan.

The Library’s OPEB contributions for the year ended June 30, 2025, were equal to the required contribution total. Total OPEB contributions were approximately \$3,000. Of the total OPEB contributions approximately \$2,000 was contributed to fund the Defined Benefit Plan and approximately \$1,000 was contributed to fund the Defined Contribution Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

**MOUNT CLEMENS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS WITH MPSERS (continued)

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

The net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2023, and rolled-forward using generally accepted actuarial procedures.

The Library's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-university Employers</u>	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Total pension liability	\$ 95,765,499,515	\$ 94,947,828,557
Plan fiduciary net position	\$ (71,283,482,728)	\$ (62,581,762,238)
Net pension liability	\$ 24,482,016,787	\$ 32,366,066,319
Proportionate share	0.00161%	0.00287%
Net pension liability for the Library	\$ 394,459	\$ 929,903

For the year ended June 30, 2025, the Library recognized pension benefit of \$231,871.

At June 30, 2025, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 41,125	\$ (28,901)
Difference between expected and actual experience	10,702	(4,286)
Net difference between projected and actual earnings on pension plan investments	-	(75,280)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,940	(518,737)
Library's contributions subsequent to the measurement date	<u>97,020</u>	<u>-</u>
Total	<u>\$ 150,787</u>	<u>\$ (627,204)</u>

\$97,020, reported as deferred outflows of resources related to pensions resulting from Library employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

**MOUNT CLEMENS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS WITH MPSERS (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense (Benefit)
2026	\$ (211,409)
2027	(160,658)
2028	(142,373)
2029	(58,997)
	\$ (573,437)

OPEB Liabilities (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of September 30, 2024, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation date of September 30, 2023, and rolled-forward using generally accepted actuarial procedures.

The Library's proportion of the net OPEB liability (asset) was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-university Employers	September 30, 2024	September 30, 2023
Total OPEB liability	\$ 9,991,545,923	\$ 11,223,648,949
Plan fiduciary net position	\$ (14,295,943,589)	\$ (11,789,347,341)
Net OPEB liability (asset)	\$ (4,304,397,666)	\$ (565,698,392)
Proportionate share	0.00122%	0.00161%
Net OPEB liability (asset) for the Library	\$ (52,356)	\$ (9,106)

For the year ended June 30, 2025, the Library recognized OPEB benefit of \$49,251.

**MOUNT CLEMENS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS WITH MPSERS (continued)

OPEB Liabilities (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

At June 30, 2025, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 11,435	\$ (1,314)
Difference between expected and actual experience	-	(55,481)
Net difference between projected and actual earnings on OPEB plan investments	-	(9,912)
Changes in proportion and differences between employer contributions and proportionate share of contributions	507	(90,149)
Library's contributions subsequent to the measurement date	1,510	-
Total	\$ 13,452	\$ (156,856)

\$1,510, reported as deferred outflows of resources related to OPEB resulting from Library employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability (asset) in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	OPEB Expense (Benefit)
2026	\$ (43,783)
2027	(36,574)
2028	(27,159)
2029	(23,227)
2030	(12,732)
2031	(1,439)
	\$ (144,914)

**MOUNT CLEMENS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS WITH MPSERS (continued)

Actuarial Assumptions

Investment Rate of Return for Pension - 6.00% a year, compounded annually net of investment and administrative expenses for the MIP, Basic, Pension Plus, and Pension Plus 2 Plan groups.

Investment Rate of Return for OPEB - 6.00% a year, compounded annually net of investment and administrative expenses.

Salary Increases - The rate of pay increase used for individual members is 2.75% - 11.55%, including wage inflation at 2.75%.

Inflation - 3.0%.

Mortality Assumptions -

Retirees: PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and MP-2021 adjusted for mortality improvements using projection scale from 2010.

Disabled Retirees: PubNS-2010 Male and Female Disabled Retiree Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Experience Study - Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2023, valuation.

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments - The pension rate was 6.00% (MIP, Basic, Pension Plus Plan, and Pension Plus 2 Plan), and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and OPEB plan investment expense 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.

Cost of Living Pension Adjustments - 3.0% annual non-compounded for MIP members.

Healthcare Cost Trend Rate for Other Postemployment Benefit - Pre 65, 7.25% for year one and graded to 3.5% in year fifteen. Post 65, 6.50% for year one and graded to 3.5% in year fifteen.

**MOUNT CLEMENS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS WITH MPSERS (continued)

Actuarial Assumptions (continued)

Additional Assumptions for Other Postemployment Benefit Only - Applies to Individuals Hired Before September 4, 2012:

Opt Out Assumption - 21% of eligible participants hired before July 1, 2008, and 30% of those hired after June 30, 2008, are assumed to opt out of the retiree health plan.

Survivor Coverage - 80% of male retirees and 67% of female retirees electing two-person coverage are assumed to have coverage continuing after the retiree's death.

Coverage Election at Retirement - 75% of male and 60% of female future retirees who elected coverage are assumed to elect coverage for 1 or more dependents.

The target asset allocation at September 30, 2024, and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.0%	5.3%
International Equity Pools	15.0%	6.5%
Private Equity Pools	16.0%	9.0%
Real Estate and Infrastructure Pools	10.0%	7.1%
Fixed Income Pools	13.0%	2.2%
Absolute Return Pools	9.0%	5.2%
Real Return/Opportunistic Pools	10.0%	6.9%
Short Term Investment Pools	2.0%	1.4%
	<u>100.0%</u>	

* Long term rate of return are net of administrative expenses and 2.3% inflation.

Rate of Return - For fiscal year ended September 30, 2024, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 15.47% and 15.45%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate - A single discount rate of 6.00% was used to measure the total pension liability. This discount rate was based on the expected rate of return on pension plan investments of 6.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

**MOUNT CLEMENS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS WITH MPSERS (continued)

Actuarial Assumptions (continued)

OPEB Discount Rate - A single discount rate of 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Library's proportionate share of the net pension liability calculated using a single discount rate of 6.00%, as well as what the Library's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Library's proportionate share of the net pension liability	\$ 578,281	\$ 394,459	\$ 241,392

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate - The following presents the Library's proportionate share of the net OPEB liability (asset) calculated using a single discount rate of 6.00%, as well as what the Library's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Library's proportionate share of the net OPEB liability (asset)	\$ (40,461)	\$ (52,356)	\$ (62,640)

Sensitivity to the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates - The following presents the Library's proportionate share of the net other postemployment benefit liability (asset) calculated using the healthcare cost trend rate, as well as what the Library's proportionate share of the net other postemployment benefit liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Library's proportionate share of the net OPEB liability (asset)	\$ (62,640)	\$ (52,356)	\$ (41,326)

**MOUNT CLEMENS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS WITH MPSERS (continued)

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees' Retirement System Annual Comprehensive Financial Report.

Payable to the Pension and OPEB Plan - At year end the Library is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement.

NOTE 8 - DEFINED CONTRIBUTION PLAN

The Library Board has established a defined contribution retirement plan administered by Paychex Retirement Services. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees hired on or after July 2, 2018, are eligible to participate from the date of employment. After six consecutive months of service, the Library matches an employee's contributions up to a maximum of 5% of the employee's base salary.

For the year ended June 30, 2025, the Library contributed \$23,301 to the plan for its employees.

NOTE 9 - RISK MANAGEMENT

The Library is exposed to various risks of loss for property, crime, boiler and machinery, cyber liability, pollution liability, auto, errors and omissions liability, and workers' compensation claims for which the Library carries commercial insurance. Settled claims relating to the commercial insurances have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2025, the Library implemented GASB Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

**MOUNT CLEMENS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - ADJUSTMENTS TO BEGINNING NET POSITION

During the year ended June 30, 2025, the Library adopted GASB Statement 101, *Compensated Absences*, which resulted in a restatement of beginning net position as follows:

	Governmental Activities
Net position, beginning of year, as previously presented	\$ 1,601,526
Change in accounting principles	(62,343)
Net position, beginning of year, as restated	\$ 1,539,183

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements-or modifies existing requirements-related to the following:

- a. Management’s discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - i. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - ii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

The Library is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

**MOUNT CLEMENS PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The Library is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

**MOUNT CLEMENS PUBLIC LIBRARY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2025**

	Budgeted amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
REVENUES				
Property taxes	\$ 1,708,385	\$ 1,708,385	\$ 1,603,023	\$ (105,362)
Intergovernmental				
State aid	20,000	20,000	24,221	4,221
Local community stabilization	10,000	10,000	11,128	1,128
MPSERS	75,000	75,000	43,449	(31,551)
Penal fines	80,000	80,000	78,818	(1,182)
Other	-	1,000	-	(1,000)
Charges for services	3,800	119,340	8,190	(111,150)
Fines and forfeits	-	-	356	356
Interest	3,000	3,000	20,441	17,441
Rents	-	-	3,091	3,091
Other				
Donations and contributions	-	350	1,599	1,249
Refunds and rebates	-	-	741,305	741,305
Other	-	-	583	583
TOTAL REVENUES	1,900,185	2,017,075	2,536,204	519,129
EXPENDITURES				
Current				
Recreation and culture				
Salaries and wages	1,034,152	1,024,777	960,946	63,831
Fringe benefits	411,750	412,986	340,289	72,697
Supplies	43,950	36,850	32,965	3,885
Professional and contracted services	100,000	104,500	105,169	(669)
Online services	55,000	55,000	53,648	1,352
Conferences and travel	15,500	11,569	6,768	4,801
Memberships	6,700	5,450	4,916	534
Utilities	56,000	57,395	61,011	(3,616)
Insurance	14,000	14,000	13,684	316
Building and grounds	42,500	88,500	82,312	6,188
Technology	22,500	23,800	23,800	-
Programs	28,500	28,106	24,088	4,018
Local history	28,000	16,400	16,259	141
Other	206,210	8,750	7,187	1,563
Capital outlay				
Books and other materials	135,000	113,569	101,179	12,390
Other	300,000	15,000	14,621	379
TOTAL EXPENDITURES	2,499,762	2,016,652	1,848,842	167,810
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(599,577)	423	687,362	686,939
OTHER FINANCING SOURCES				
Transfers in	600,000	-	73,708	73,708
NET CHANGE IN FUND BALANCE	423	423	761,070	760,647
Fund balance, beginning of year	471,425	471,425	471,425	-
Fund balance, end of year	\$ 471,848	\$ 471,848	\$ 1,232,495	\$ 760,647

MOUNT CLEMENS PUBLIC LIBRARY
SCHEDULE OF THE LIBRARY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN PLAN YEARS (AMOUNTS WERE DETERMINED AS OF SEPTEMBER 30 OF EACH YEAR)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Library's proportion of net pension liability	0.00161%	0.00287%	0.00384%	0.00428%	0.00489%	0.00635%	0.00728%	0.00687%	0.00688%	0.00661%
Library's Proportionate share of net pension liability	\$ 394,459	\$ 929,903	\$ 1,442,896	\$ 1,013,781	\$ 1,678,088	\$ 2,102,324	\$ 2,187,510	\$ 1,780,695	\$ 171,452	\$ 1,613,456
Library's covered payroll	\$ 122,554	\$ 156,811	\$ 315,279	\$ 313,229	\$ 386,021	\$ 383,292	\$ 544,891	\$ 566,581	\$ 570,893	\$ 534,130
Library's proportionate share of net pension liability as a percentage of its covered payroll	321.87%	593.01%	457.66%	323.65%	434.71%	548.49%	401.46%	314.29%	30.03%	302.07%
Plan fiduciary net position as a percentage of the total pension liability (non-university employers)	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%

**MOUNT CLEMENS PUBLIC LIBRARY
SCHEDULE OF LIBRARY'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST TEN FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF JUNE 30 OF EACH YEAR)**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contributions	\$ 100,537	\$ 69,208	\$ 136,851	\$ 134,085	\$ 130,470	\$ 136,104	\$ 170,761	\$ 189,336	\$ 161,166	\$ 155,413
Pension contributions in relation to statutorily required contributions	<u>100,537</u>	<u>69,208</u>	<u>136,851</u>	<u>134,085</u>	<u>130,470</u>	<u>136,104</u>	<u>170,761</u>	<u>189,336</u>	<u>161,166</u>	<u>155,413</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Library's covered payroll	\$ 129,098	\$ 124,051	\$ 197,034	\$ 329,925	\$ 321,274	\$ 396,632	\$ 408,382	\$ 561,374	\$ 566,011	\$ 529,704
Pension contributions as a percentage of covered payroll	77.88%	55.79%	69.46%	40.64%	40.61%	34.31%	41.81%	33.73%	28.47%	29.34%

MOUNT CLEMENS PUBLIC LIBRARY
SCHEDULE OF THE LIBRARY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST EIGHT PLAN YEARS (AMOUNTS WERE DETERMINED AS OF SEPTEMBER 30 OF EACH YEAR)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Library's proportion of net OPEB liability (asset)	0.00122%	0.00161%	0.00334%	0.00355%	0.00441%	0.00442%	0.00643%	0.00687%
Library's Proportionate share of net OPEB liability (asset)	\$ (52,356)	\$ (9,106)	\$ 70,670	\$ 54,117	\$ 236,354	\$ 317,330	\$ 511,475	\$ 608,102
Library's covered payroll	\$ 122,554	\$ 156,811	\$ 315,279	\$ 313,229	\$ 386,021	\$ 383,292	\$ 544,891	\$ 566,581
Library's proportionate share of net OPEB liability (asset) as a percentage of its covered payroll	(42.72%)	(5.81%)	22.42%	17.28%	61.23%	82.79%	93.87%	107.33%
Plan fiduciary net position as a percentage of the total OPEB liability (non-university employers)	143.08%	105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

Until a full ten-year trend is compiled, information is presented for those years for which information is available.

**MOUNT CLEMENS PUBLIC LIBRARY
SCHEDULE OF LIBRARY'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT PLAN
LAST EIGHT FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF JUNE 30 OF EACH YEAR)**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required OPEB contributions	\$ 1,859	\$ 10,691	\$ 25,635	\$ 27,008	\$ 26,712	\$ 31,929	\$ 30,907	\$ 40,355
OPEB contributions in relation to statutorily required contributions	<u>1,859</u>	<u>10,691</u>	<u>25,635</u>	<u>27,008</u>	<u>26,712</u>	<u>31,929</u>	<u>30,907</u>	<u>40,355</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Library's covered payroll	\$ 129,098	\$ 124,051	\$ 197,034	\$ 329,925	\$ 321,274	\$ 396,632	\$ 408,382	\$ 561,374
OPEB contributions as a percentage of covered payroll	1.44%	8.62%	13.01%	8.19%	8.31%	8.05%	7.57%	7.19%

Until a full ten-year trend is compiled, information is presented for those years for which information is available.

MOUNT CLEMENS PUBLIC LIBRARY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In the required supplementary information to the financial statements the Library’s budgeted expenditures in the General Fund have been shown at the functional classification level. The budget is legally adopted at the activity level for the General Fund.

During the year ended June 30, 2025, the Library incurred expenditures in excess of the amounts appropriated as follows:

	Amounts Appropriated	Amounts Expended	Variance
General Fund			
Current			
Recreation and culture			
Professional and contracted services	\$ 104,500	\$ 105,169	\$ 669
Utilities	57,395	61,011	3,616

NOTE 2 - PENSION INFORMATION

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of benefit assumptions for each of the reported plan years ended September 30 except for the following:

- 2023 - The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.80 percentage points.
- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

MOUNT CLEMENS PUBLIC LIBRARY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 3 - OPEB INFORMATION

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of benefit assumptions for each of the reported plan years ended September 30 except for the following:

- 2024 - The health care cost trend rate used in the September 30, 2023 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 0.25 percentage point for members over 65.
- 2023 - The health care cost trend rate used in the September 30, 2022 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 1.00 percentage point for members over 65. In addition, actual per person health benefit costs were lower than projected. The valuation includes the impact of an updated experience study for periods from 2017 to 2022.
- 2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.95 percentage points. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.1 billion in 2022.
- 2021 - The health care cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.3 billion in 2021.
- 2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points and actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by \$1.8 billion in 2020.
- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by \$1.4 billion in 2018.