

**LOUIT DISTRICT LIBRARY
GRAND HAVEN, MICHIGAN**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025



Vredeveld Haefner LLC
CPAs and Consultants

LOUTIT DISTRICT LIBRARY

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INDEPENDENT AUDITOR'S REPORT

September 11, 2025

Members of the Library Board
Loutit District Library
Grand Haven, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Loutit District Library (the Library) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the 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 the Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and the budgetary and pension information on pages 31 through 33 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.

Uredewald Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

About the Library

Loutit District Library (The "Library") was established on February 24, 1999, pursuant to Act No. 24 of the Public Acts of 1989, by the participating municipalities of the City of Grand Haven, City of Ferrysburg, Grand Haven Charter Township, Robinson Township, and Grand Haven Area Public Schools (which includes a portion of Port Sheldon Township) all located in Ottawa County, Michigan.

Financial Highlights

Property Tax - Tax revenue received totaled \$2,982,254 in FY24/25, an increase of \$171,294 from FY23/24. Continuing a trend which began in 2019, the library operating tax rate was reduced to 0.9352 mills, due to Michigan's Headlee Amendment. In August 2024, residents approved a supplemental operating millage of 0.1557 mills, which was reduced to 0.1547 mills due to the Headlee Amendment. The rate for debt service millage remains at 0.1150 mills.

Penal Fines - Income from County court assessed penal fine revenue received totaled \$90,633 in FY24/25, a decrease of \$1,730 from FY23/24.

Books & Periodicals – To meet library patron service demands, in FY24/25 there was an increase of \$38,939 in book and periodical expenditures in comparison to FY23/24.

Salaries, Wages, and Benefits – As of June 30, 2025, the Library had 21 full time staff and 13 part time staff, with 6 substitutes. For FY24/25 there was an increase of \$183,620 in salary, wages and benefit expenses in comparison to FY23/24. This increase is largely attributed to increased staffing needs to accommodate expanded operating hours and services.

In FY22/23 there were staffing changes, most notably, in the Executive Director and Assistant Director positions during the fiscal year. The subsequent activity to those resignations was a staff vote to unionize. The current Union Agreement will expire June 30, 2026, at which time it will be re-negotiated.

Contractual Services - Effective November 2022, Loutit District Library contracted the City of Grand Haven for Finance, Payroll and Human Resources services. The contract renewed effective July 1, 2025 and continues annually until either party terminates the agreement.

Building Improvements – Elevator upgrades as well as garage book return bins replacement were completed in FY24/25.

Services – The Library expanded operating hours in FY23/24 to seven days per week based on patron feedback, adding Sunday hours and with that the re-introductions of the Sunday Concert series. This schedule was maintained in FY24/25. Also, by means of a generous donation, the Library is converting digital archives to microfilm and Loutit District Library will be the largest repository of local history and genealogy archives in the region.

Overview of the Financial Statements

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

Government-wide financial statements

The *Government-wide financial statements* are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Library's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The *statement of activities* presents information showing how the Library's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (accrued interest on debt).

Both of the government-wide financial statements distinguish functions of the Library that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The Library currently has no business-type activities.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Library only utilizes governmental funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Library's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the Statement of Net Position with the Governmental Funds Balance Sheet, and the Statement of Activities with the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance. By doing so, readers may better understand the long-term impact of the Library's near-term financing decisions. Reconciliations of fund financial statements with government-wide financial statements are provided to facilitate this comparison.

The Library maintains four individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Maintenance Fund (a capital project fund), and two Debt Service Funds which are all considered to be major funds.

The Library adopts an annual appropriations budget for its General Fund as required by state law. A budgetary comparison statement for the General Fund has been provided as required supplementary information to demonstrate legal compliance with the budget. Budgets are also adopted for other funds and used as a management control device throughout the year.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This includes this discussion and analysis, budgetary comparison schedule for the General Fund, and historical pension information.

Government-wide Financial Analysis

The following table presents condensed information about the Library's financial position for the past two fiscal years. Total net position includes the investment in capital assets. Capital assets represent the capital assets held by the Library, net of related accumulated depreciation.

	<u>2025</u>	<u>2024</u>
Current and other assets	\$2,375,316	\$2,449,753
Capital assets	7,409,483	7,577,501
Total assets	9,784,799	10,027,254
Deferred outflows of resources	260,833	383,364
Current and other liabilities	881,778	650,212
Long-term liabilities	2,268,539	2,764,239
Total liabilities	3,150,317	3,414,451
Deferred inflows of resources	15,693	23,540
Net position		
Net investment in capital assets	6,290,542	5,909,783
Restricted	291,285	207,309
Unrestricted	297,795	855,535
Total net position	\$6,879,622	\$6,972,627

Revenues and Expenses

The Library's net position decreased by \$93,005 during the year ended June 30, 2025. Current year revenues exceeded current year expenses primarily due to investment earnings. A summary of revenues and expenses for the past two fiscal years is presented below.

	<u>2025</u>	<u>2024</u>
Program revenues		
Charges for services	\$ -	\$ -
Grants and contributions	33,065	109,641
General revenues		
Property taxes	2,982,255	2,810,963
County penal fines	90,633	92,364
Other general revenues	161,427	167,247
Total revenues	3,267,380	3,180,215
Functions/program expenses		
Library	3,327,637	3,004,063
Interest on long-term debt	32,748	44,017
Total expenses	3,360,385	3,048,080
Change in net position	(93,005)	132,135
Net position, beginning of year	6,972,627	6,840,492
Net position, end of year	\$6,879,622	\$6,972,627

Financial Analysis of the Library's Funds

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Library's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Library's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the library's governmental funds reported combined ending fund balances of \$2,375,316, an increase of \$32,575 from the prior year.

The General Fund is the chief operating fund of the Library. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$747,691 while total fund balance was \$972,826. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 25% of total General Fund expenditures. The table below shows the unassigned fund balance compared to total fund expenditures historically.

	Unassigned General Fund Balance (A)	Total General Fund Balance	General Fund Expenditures (B)	Fund Balance Policy Percentage (A/B)
FY2020-21	\$1,109,805	\$1,643,713	\$2,057,595	54%
FY2021-22	1,013,842	1,532,293	2,325,464	44%
FY2022-23	895,170	1,396,782	2,396,091	37%
FY2023-24	760,661	1,295,227	2,710,766	28%
FY2024-25	747,691	972,826	2,981,858	25%

The Library's revenues in the General Fund were \$2,878,717, an increase from the prior year of \$59,660. Property tax revenues, which make up 92% of General Fund revenues, increased 6.0% from the previous year. Total General Fund revenues increased by 2% overall compared to the previous year.

General Fund expenditures amounted to \$2,981,858, an increase of \$217,092 from the prior year or 10%. General Fund expenditures increased in the current year due to increased contracted service costs, building and ground costs, and printing and publishing expenses.

The Maintenance Fund has a total fund balance of \$779,952, a decrease of \$60,253 from the prior year which was the result of amounts transferred to the General Fund for maintenance projects. The balance in the fund is assigned for future maintenance projects.

The Library's Debt Service Funds are used to pay principal and interest on the 2017 refunding bonds. Revenue is derived from a dedicated debt millage and transfers from the General Fund. The 2017 refunding bonds are scheduled to be retired in May 2027. See Note 6 for additional details.

General Fund Budgetary Highlights

Sale of Robbins Road Property – In March 2020, the Library Board approved that the net proceeds of the sale of the property (\$579,920) along with any interest earned on the proceeds be applied to future 2017 Library Refunding Bonds (Bond B), beginning in May 2020. The proceeds were evenly divided by eight (the remaining years of annual bond payments) so that \$72,490 is allocated to the annual Bond B debt service requirement annually through 2026. During the final year FY26-27 the remaining fund balance in its entirety (including all earned interest) will be applied to the final payment on the Bond B debt obligation. Should the remaining balance of the proceeds in the final year exceed the debt service requirement on Bond B, the unapplied balance of the fund will be transferred to the Library's General Fund balance. As of June 30, 2025, there are two payments remaining.

Capital Assets and Long-Term Debt Activity

Capital assets The Library's investment in capital assets for its governmental activities as of June 30, 2025, amounted to \$7,409,483 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and furniture, and books.

Current year additions included furniture, books, and media.

Additional information on the Library's capital assets can be found in Note 5 to the financial statements.

Long-term debt At the end of the current fiscal year, the Library had total long-term debt outstanding of \$1,105,000.

Long-term debt activity consisted of principal payments on outstanding bonds totaling \$535,000.

Additional information on the Library's long-term debt can be found in Note 6 to the financial statements.

Economic Factors and Next Year's Budget

Salaries, Wages, and Benefits – For FY25/26, an increase of 12.52% in salaries is anticipated due to full staffing, increased staff wages, required and surplus Defined Benefit contributions, and higher benefit costs.

Property taxes – Revenues are projected to continue to increase due to an increase in the district-wide taxable value. However, due to tax limitations under the Headlee Amendment, if the district-wide taxable value exclusive of new construction and improvements increases faster than the U.S. Consumer Price Index from one year to the next, the Library's maximum tax rate must be reduced through a millage reduction fraction.

Library State Aid – State Aid revenue to Loutit District Library is projected to decrease by 4% in FY25/26.

2020 Federal Census – Ottawa County is the fastest growing county in Michigan. The library district experienced an increase in population of 3,791 residents to 39,331. This new population number will be used for the next ten years in calculating state aid and penal fine revenues.

Anticipated Projects - In FY25/26, construction will begin to build a Maker Space in the Library's lower level. This project was made possible by a generous donation of \$200,000 from The Waanders Family via the Grand Haven Area Community Foundation.

Contacting the Library Management

This management discussion and analysis provides an overview of the current and prospective financial condition of the Library's operations and financial position. If there are questions concerning this report or if additional information is desired, please contact Ellen Peters, Library Director at epeters@loutitlibrary.org, or Loutit District Library, 407 Columbus Ave., Grand Haven, MI 49417.

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BASIC FINANCIAL STATEMENTS

LOUTIT DISTRICT LIBRARY

STATEMENT OF NET POSITION

JUNE 30, 2025

	Primary Governmental Governmental Activities
Assets	
Cash and cash equivalents (note 3)	\$ 534,428
Investments (note 3)	1,689,505
Accounts receivable	18,478
Due from other governments	112,271
Prepaid items	20,634
Capital assets, net (note 5)	
Land	1,139,732
Buildings and equipment	<u>6,269,751</u>
Total assets	<u>9,784,799</u>
Deferred outflows of resources	
Pension related (note 7)	<u>260,833</u>
Liabilities	
Accounts payable	82,095
Accrued liabilities	86,003
Deferred revenue	168,680
Bonds due within one year (note 6)	545,000
Noncurrent liabilities	
Net pension liability (note 7)	1,501,261
Accrued compensated absences (note 6)	193,337
Unamortized bond premium (note 6)	13,941
Bonds due in more than one year (note 6)	<u>560,000</u>
Total liabilities	<u>3,150,317</u>
Deferred inflows of resources	
Pension related (note 7)	<u>15,693</u>
Net Position	
Net investment in capital assets	6,290,542
Restricted for debt service	291,285
Unrestricted	<u>297,795</u>
Net position (note 9)	<u>\$ 6,879,622</u>

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

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LOUIT DISTRICT LIBRARY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2025

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary government				
Governmental activities				
Library	\$ (3,327,637)	\$ -	\$ 33,065	\$ (3,294,572)
Interest on long-term debt	<u>(32,748)</u>	<u>-</u>	<u>-</u>	<u>(32,748)</u>
Total primary government	<u>\$ (3,360,385)</u>	<u>\$ -</u>	<u>\$ 33,065</u>	<u>(3,327,320)</u>
General revenues				
Property taxes				
General operating				2,648,773
Debt service				333,482
County penal fines				90,633
State revenues				42,730
Other general revenues				7,500
Investment earnings (loss)				<u>111,197</u>
Total general revenues				<u>3,234,315</u>
Change in net position				(93,005)
Net position, beginning of year				<u>6,972,627</u>
Net position, end of year				<u>\$ 6,879,622</u>

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

LOUTIT DISTRICT LIBRARY

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2025

	<u>General</u>	<u>Maintenance</u>	<u>Debt Service Series A</u>	<u>Debt Service Series B</u>	<u>Total</u>
Assets					
Cash and cash equivalents (note 3)	\$ 178,771	\$ 186,737	\$ 168,920	\$ -	\$ 534,428
Investments (note 3)	973,925	593,215	122,275	90	1,689,505
Accounts receivable	18,478	-	-	-	18,478
Due from other governments	112,271	-	-	-	112,271
Prepaid items	20,634	-	-	-	20,634
Total assets	<u>\$ 1,304,079</u>	<u>\$ 779,952</u>	<u>\$ 291,195</u>	<u>\$ 90</u>	<u>\$ 2,375,316</u>
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ 82,095	\$ -	\$ -	\$ -	\$ 82,095
Accrued liabilities	80,478	-	-	-	80,478
Deferred revenue	168,680	-	-	-	168,680
Total liabilities	331,253	-	-	-	331,253
Fund balances (note 9)	<u>972,826</u>	<u>779,952</u>	<u>291,195</u>	<u>90</u>	<u>2,044,063</u>
Total liabilities and fund balance	<u>\$ 1,304,079</u>	<u>\$ 779,952</u>	<u>\$ 291,195</u>	<u>\$ 90</u>	<u>\$ 2,375,316</u>

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

LOUTIT DISTRICT LIBRARY

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

JUNE 30, 2025

Fund balances - total governmental funds	\$ 2,044,063
Amounts reported for <i>governmental activities</i> in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets (net)	7,409,483
Deferred pension contributions, deficit investment returns, changes in assumptions and differences in experiences relate to future years and are not reported in the funds.	
Add - deferred outflows	260,833
Deduct - deferred inflows	(15,693)
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - net pension liability	(1,501,261)
Deduct - compensated absences payable	(193,337)
Deduct - unamortized bond premium	(13,941)
Deduct - bonds payable	(1,105,000)
Deduct - accrued interest on bonds payable	<u>(5,525)</u>
Net position of governmental activities	<u>\$ 6,879,622</u>

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

LOUIT DISTRICT LIBRARY

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2025

	<u>General</u>	<u>Maintenance</u>	<u>Debt Service Series A</u>	<u>Debt Service Series B</u>	<u>Total</u>
Revenues					
Property taxes	\$ 2,648,773	\$ -	\$ 333,482	\$ -	\$ 2,982,255
Intergovernmental					
State revenues	42,730	-	-	-	42,730
County penal fees	90,633	-	-	-	90,633
Federal grants	500	-	-	-	500
Investment earnings (loss)	56,016	48,387	6,790	4	111,197
Donations and miscellaneous	40,065	-	-	-	40,065
Total revenues	<u>2,878,717</u>	<u>48,387</u>	<u>340,272</u>	<u>4</u>	<u>3,267,380</u>
Expenditures					
Current					
Library					
Salaries and wages	1,411,033	-	-	-	1,411,033
Benefits	528,565	-	-	-	528,565
Books and periodicals	271,874	-	-	-	271,874
Lakeland Library Cooperative	25,267	-	-	-	25,267
Professional services	130,270	-	-	-	130,270
Insurance	17,439	-	-	-	17,439
Building and grounds	139,778	-	-	-	139,778
Equipment maintenance	1,753	-	-	-	1,753
Custodial	6,063	-	-	-	6,063
Library supplies	27,390	-	-	-	27,390
Postage	10,184	-	-	-	10,184
Telephone and internet	13,652	-	-	-	13,652
Printing and publishing	40,469	-	-	-	40,469
Utilities	111,744	-	-	-	111,744
Transfers to other libraries	59,768	-	-	-	59,768
Other expenditures	60,146	-	-	-	60,146
Capital outlay	126,463	-	-	-	126,463
Debt service					
Principal	-	-	235,000	300,000	535,000
Interest	-	-	21,300	27,900	49,200
Total expenditures	<u>2,981,858</u>	<u>-</u>	<u>256,300</u>	<u>327,900</u>	<u>3,566,058</u>
Revenues over (under) expenditures	<u>(103,141)</u>	<u>48,387</u>	<u>83,972</u>	<u>(327,896)</u>	<u>(298,678)</u>
Other financing sources (uses)					
Transfers in (note 4)	108,640	-	-	327,900	436,540
Transfers out (note 4)	(327,900)	(108,640)	-	-	(436,540)
Total other financing sources (uses)	<u>(219,260)</u>	<u>(108,640)</u>	<u>-</u>	<u>327,900</u>	<u>-</u>
Net changes in fund balances	(322,401)	(60,253)	83,972	4	(298,678)
Fund balances, beginning of year	<u>1,295,227</u>	<u>840,205</u>	<u>207,223</u>	<u>86</u>	<u>2,342,741</u>
Fund balances, end of year	<u>\$ 972,826</u>	<u>\$ 779,952</u>	<u>\$ 291,195</u>	<u>\$ 90</u>	<u>\$ 2,044,063</u>

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

LOUTIT DISTRICT LIBRARY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2025

Net changes in fund balances - total governmental funds	\$ (298,678)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Add - capital outlay	155,208
Deduct - depreciation expense	(323,226)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Add - principal payments on bonds	535,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Deduct - increase in compensated absences	(19,539)
Deduct - increase in net pension liability	(43,538)
Deduct - decrease in deferred outflows related to pensions	(122,531)
Add - decrease in deferred inflows related to pensions	7,847
Add - amortization of bond premium	13,777
Add - decrease in accrued interest	<u>2,675</u>
Change in net position of governmental activities	<u>\$ (93,005)</u>

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

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LOUIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Loutit District Library, Grand Haven, Michigan (the "Library") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Loutit District Library. There are no component units to be included. The criteria for including a component unit include significant operational or financial relationships with the Library.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Library which is considered to be a special purpose government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues are reported in total. The Library has no business-type or fiduciary activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for each of the governmental funds. Library resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period except grant revenues which are recognized when grant requirements are met and interest revenue which is recorded when earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Property taxes, penal fines, state revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as

LOUIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

All individual governmental funds are reported as separate columns in the fund financial statements.

The Library reports the following major governmental funds:

The *General Fund* is the general operating fund of the Library. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Maintenance Fund* (a capital projects fund) accounts for amounts set aside by the Library Board for certain maintenance items and can be spent at the discretion of the Board.

The *Debt Service Funds* account for the accumulation of resources for payment of the principal, interest and fees to retire the outstanding long-term debt of the Library.

Budgets and Budgetary Accounting

Comparisons to budget are presented for the General Fund. The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Library Director submits to the Library Board a proposed operating budget for the fiscal year commencing the following July 1.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund.
5. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Adoption and amendments of all budgets used by the Library are governed by Michigan Law. The appropriations ordinances are based on the projected expenditures budget of the various objects of the Library. Any amendment to the original budget must meet the requirements of Michigan Law. The Library did amend its budget for the current year. Any revisions that alter the expenditures at the object level within the General Fund must be approved by the Library Board.

Deposits and Investments

State statutes and Library policy authorize the Library to invest in:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

LOUIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activity's column in the government-wide financial statements.

Capital assets are defined by the Library as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value (the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction) on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on capital assets (including infrastructure), is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	15
Buildings and improvements	50
Collections	3-20
Furniture and fixtures	7-10
Equipment	5-7

Property Taxes

Property taxes are levied and become an enforceable lien on July 1 or December 1 depending on the taxing unit within the district. Taxes are payable by either September 15 or February 14. Property taxes are billed and collected by participating Cities and Townships. Real property taxes not collected as of March 1 are turned over to the County for collection, which advances the Library 100% of the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the Cities and Townships. Property tax revenues are recognized as revenue in the year for which they are levied.

Property taxes levied on July 1 and December 1 of each year are recognized as revenue in that year. The Library's 2024 taxable value was \$2,834,795,386 on which they levied 0.9410 mills for operations and an additional 0.1150 mills for debt service.

LOUIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

Grants and Other Intergovernmental Revenues

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers. Due to other funds and due from other funds at year end represent short-term borrowing between the funds.

Net Position and Fund Balance Reporting

Governmental funds report fund balance in the following five categories:

1. Non-spendable – the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted – the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed – the related assets can only be spent for a specific purpose identified by formal resolution of the governing board.
4. Assigned – the related assets can only be spent for a specific purpose identified by management as authorized by the governing board.
5. Unassigned – is the residual classification and includes all spendable amounts not contained in the other classifications.

Fund balance can only be committed or assigned by formal resolution of the Library Board.

Restricted net position represents those portions of net position legally segregated for a specific future use.

The Library adopted a policy to maintain a minimum unassigned fund balance in its General Fund of 25% of the current year's expenditures. Unassigned fund balance in the General Fund at June 30, 2025 amounted to 25% of the current year's expenditures.

Net Position and Fund Balance Flow Assumptions

Sometimes the Library will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library's policy to use restricted resources first, then unrestricted resources as they are needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

LOUIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

Long-Term Obligations

In the government-wide financial statements the long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures/expenses regardless of fund or activity.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Library reports deferred outflows related to its pension plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Library reports deferred inflows related to its pension plan.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2025, the Library carried commercial insurance to cover risks of losses. The Library has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

PA. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Library's actual and budgeted expenditures for the General Fund have been shown at a more detailed level than the object level, the level at which the budgets of the Library were adopted.

LOUIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

During the year ended June 30, 2025, the Authority incurred the following expenses in excess of the appropriated amount:

General Fund	Final Budget	Actual	Unfavorable Variance
Salaries and wages	\$1,401,000	\$1,411,033	\$10,033
Books and periodicals	255,660	271,874	16,214
Custodial	6,000	6,063	63
Library supplies	24,300	27,390	3,090
Utilities	97,500	111,744	14,244

3. CASH AND INVESTMENTS

The captions on the financial statements relating to cash and cash equivalents and investments are as follows:

Cash and cash equivalents	\$ 534,428
Investments	<u>1,689,505</u>
	<u>\$2,223,933</u>

The cash and investments making up the above balances are as follows:

Deposits	\$ 348,214
Investments	<u>1,875,719</u>
Total	<u>\$2,223,933</u>

For risk reporting purposes, the Library includes certificates of deposit in deposits; money market funds are classified as investments. The deposits are in financial institutions located in Michigan in varying amounts. All accounts are in the name of the Library and a specific fund or common account. They are recorded in Library records at fair value. Interest is recorded when earned.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned. State law does not require, and the Library does not have, a policy for deposit custodial credit risk. As of year-end, \$99,228 of the Library's bank balance of \$352,376 was exposed to custodial credit risk due to being uninsured or uncollateralized.

Investments

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

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Money market funds	N/A	\$ 186,214	Not rated
Michigan Class	N/A	1,411,839	S&P AAAm
GNMA bonds US Government guaranteed	2044-2051	56,847	N/A
FNMA/FHLMC bonds implicitly guaranteed	2045-2051	<u>220,819</u>	N/A
Total		<u>\$1,875,719</u>	

LOUIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

The Library categorizes its fair value measurements of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Library has the following recurring fair value measurements as of year-end.

- GNMA/FHLMC and FNMA bonds are valued using quoted market prices (Level 1 inputs).
- The Michigan Class investments and money market funds are valued using a pricing model utilizing observable fair value measures of fund/pool investments and other observable inputs to determine the fair value of the securities making up the investments fund/pool (Level 2 inputs).
- The Library does not have any investments that report fair value based on significant unobservable inputs (Level 3 inputs).

Investment and deposit risk

Interest Rate Risk. State law and Library policy limit the allowable investments and the maturities of some of the allowable investments as identified in Note 1, the summary of significant accounting policies. The Library's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity range of dates for each type of investment is identified above for investments held at year-end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1, the summary of significant accounting policies. The investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings, where applicable are reported above.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Library does not have a policy for investment custodial credit risk. Michigan CLASS has received rulings from the FDIC that deposits made by Michigan CLASS are actually the deposits of the participants and thus each participant in the pool is insured for its proportionate share of any deposit up to the \$250,000 limit for the participants accounts in the custodian bank and its pro rata share of Michigan CLASS's deposits. Of the above investments in money market funds and pools of \$1,875,719, the Library's remaining custodial credit risk exposure cannot be determined because the money markets and the investment pools do not consist of specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1, the summary of significant accounting policies. The Library's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

LOUIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

4. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2025 are as follows:

<u>Transfers in</u>	<u>Transfers out</u>		
	<u>General Fund</u>	<u>Maintenance Fund</u>	<u>Total</u>
General Fund	\$ -	\$108,640	\$108,640
Debt service series B fund	327,900	-	327,900
	<u>\$327,900</u>	<u>\$108,640</u>	<u>\$436,540</u>

Transfers are used to (1) move unrestricted revenues collected in the General Fund to finance debt service payments in accordance with budgetary authorizations and (2) move funds accumulated for maintenance items to the General Fund where they are budgeted for expenditure.

5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2025</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$1,139,732	\$ -	\$ -	\$1,139,732
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>1,139,732</u>	<u>-</u>	<u>-</u>	<u>1,139,732</u>
Capital assets, being depreciated				
Land improvements	151,734	-	-	151,734
Building	8,536,034	41,800	-	8,577,834
Collections	1,384,647	86,421	120,992	1,350,076
Equipment	236,839	26,986	-	263,825
Furniture and fixtures	486,026	-	-	486,026
Total capital assets, being depreciated	<u>10,795,280</u>	<u>155,207</u>	<u>120,992</u>	<u>10,829,495</u>
Less accumulated depreciation for				
Land improvements	151,734	-	-	151,734
Building	2,714,777	188,594	-	2,903,371
Collections	884,770	113,680	120,992	877,458
Equipment	199,015	10,924	-	209,939
Furniture and fixtures	407,215	10,027	-	417,242
Total accumulated depreciation	<u>4,357,511</u>	<u>323,225</u>	<u>120,992</u>	<u>4,559,744</u>
Net capital assets, being depreciated	<u>6,437,769</u>	<u>(168,018)</u>	<u>-</u>	<u>6,269,751</u>
Governmental activities capital assets, net	<u>\$7,577,501</u>	<u>\$(168,018)</u>	<u>\$ -</u>	<u>\$7,409,483</u>

Depreciation expense of \$323,226 was charged to functions/programs of the Library.

LOUIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

6. LONG-TERM DEBT

All outstanding debt of the Library is direct placement or direct borrowing debt. The debt documents contain various provisions that in the event of default, the Library shall be required to use money from its General Fund or levy an ad valorem tax sufficient to pay the obligation, subject to applicable constitutional, statutory, and charter limitations.

The following is a summary of the debt transactions of the Library for the year ended June 30, 2025.

	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2025</u>	<u>Due Within One Year</u>
Governmental Activities					
Library Refunding Bonds 2017A general obligation – unlimited tax; Payments due in annual installments of \$200,000 to \$240,000 through May 1, 2027; interest at 2.0 to 3.0%.	\$ 710,000	\$ -	\$235,000	\$ 475,000	\$235,000
Library Refunding Bonds 2017B general obligation – limited tax; Payments due in annual installments of \$255,000 to \$320,000 through May 1, 2027; interest at 2.0 to 3.0%.	930,000	-	300,000	630,000	310,000
Total long-term debt	1,640,000	-	535,000	1,105,000	545,000
Unamortized bond premium	27,718	-	13,777	13,941	-
Accrued compensated absences	173,798	19,539	-	193,337	-
	<u>\$1,841,516</u>	<u>\$19,539</u>	<u>\$548,777</u>	<u>\$1,312,278</u>	<u>\$545,000</u>

The annual requirements to amortize all debt outstanding, excluding accrued compensated absences and the unamortized bond premium, as of June 30, 2025 are as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 545,000	\$33,150
2027	560,000	16,800
Total	<u>\$1,105,000</u>	<u>\$49,950</u>

7. PENSION PLANS

Defined Contribution Plan

The Library maintains the Loutit Library Pension Plan which is a defined contribution plan which is administered by MERS. The Library contributes from 7.5% to 10.5% of gross salary to the plan dependent on the employee level of contribution. The Library plan benefits and contribution requirements were established and may be amended under the authority of the Library Board. Currently, the Library director is the only employee eligible to participate in the plan. During the year, employee contributions amounted to \$3,227 and the Library contributed \$11,295 to the plan.

LOUIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

Deferred Compensation Plan

The Library offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all Loutit full-time employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Effective May 1, 2023, for eligible employees working more than 32 hours per week, the Library matches 100% of the first 2% of eligible compensation a participant contributes to the plan. Employee contributions amounted to \$21,444 and the Library's contributions were \$14,449 for the year ended June 30, 2025. All Assets of the plan are held in trust for employees and the related assets and liabilities are not included in this report.

Defined Benefit Plan

Plan Description

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

Benefits Provided

Pension benefits approved by the Library Board are provided to all employees who work 32 hours per week or more based on division. Benefits provided to employees hired prior to 07/01/2023 is closed to new employees and include a multiplier of 2.25 times final average compensation. The vesting period for benefits is 6 years. Benefits provided to employees hired after 07/01/2023 include a multiplier of 1.75 times final average compensation. The vesting period for benefits is 8 years. Normal retirement age is 60 with early retirement at age 55 with 30 years of service. Final average compensation is calculated on a 3 year average.

Membership of the defined benefit plan consisted of the following at the date of the latest actuarial valuation (December 31, 2024):

Active plan members	20
Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled but not yet receiving benefits	11
	<hr/>
Total	44
	<hr/>

Contributions

The Library is required to contribute at an actuarially determined rate, which for the current year was \$12,686 per month for employees hired prior to 07/01/2023 and 10% for employees hired after 07/01/2023. Participating employees are required to contribute 6.0% of covered payroll to the Plan. The contribution requirements of the Library are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by the Library Board.

LOUIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

Net Pension Liability

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

The total pension liability in the December 31, 2024 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.5%
- Salary Increases: base wage inflation of 3.00% in the long-term (plus merit and longevity from 0 to 11% based on age)
- Investment rate of return: 7.18%, net of investment expense, including inflation
- Mortality rates used for non-disabled plan member were based on PubG-2010 tables with future mortality improvements using RP-2019 scale applied fully generationally from the Pub-2010 base year of 2010. Mortality rates used for disabled plan member were based on PubNS-2010 Disabled Retiree Tables.

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

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Expected Money Weighted Rate of Return*</u>
Global Equity	60.0%	4.50%	2.70%
Global Fixed Income	20.0%	2.00%	0.40%
Private investments	20.0%	7.00%	1.40%
MERS gains adjustment			(0.07)%
Inflation			2.50%
Administrative fee			0.25%
			<hr/>
Discount rate			7.18%
			<hr/> <hr/>

Discount rate. The discount rate used to measure the total pension liability is 7.18%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

LOUIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total	Plan	Net Pension
	Pension	Fiduciary	
	Liability	Net Position	Liability
	(a)	(b)	(a)-(b)
Balance at December 31, 2023	\$4,307,593	\$2,849,870	\$1,457,723
Changes for the Year:			
Service cost	123,602	-	123,602
Interest	305,717	-	305,717
Change in benefits	-	-	-
Differences between expected and actual experience	51,514	-	51,514
Change in assumptions	8,407	-	8,407
Contributions: employer	-	187,706	(187,706)
Contributions: employee	-	51,256	(51,256)
Net investment income	-	213,106	(213,106)
Benefit payments, including refunds	(222,969)	(222,969)	-
Administrative expense	-	(6,365)	6,365
Other changes	1	-	1
Net changes	266,272	222,734	43,538
Balance at December 31, 2024	\$4,573,865	\$3,072,604	\$1,501,261

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

The following presents the net pension liability of the employer, calculated using the discount rate of 7.18%, as well as what the employer's net pension liability would be using a discount rate that is 1 percentage point lower (6.18%) or higher (8.18%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Total Pension Liability	\$5,164,771	\$4,573,865	\$4,081,798
Fiduciary Net Position	3,072,604	3,072,604	3,072,604
Net Pension Liability	\$2,092,167	\$1,501,261	\$1,009,194

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2025 the Library recognized pension expense of \$341,925. The Library reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ 38,635	\$(15,693)
Differences in assumptions	23,742	-
(Excess) deficit investment returns	104,221	-
Contributions subsequent to the measurement date*	94,235	-
Total	\$260,833	\$(15,693)

* The amount reported as deferred outflows of resources resulting from the contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2025.

LOUIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

Amounts reported as deferred outflows and inflows of resources related to Library pensions (excluding contributions subsequent to the measurement date) will be recognized in pension expense as follows:

2026	\$ 61,622
2027	98,139
2028	(7,228)
2029	(1,628)
Thereafter	-
Total	\$150,905

8. DISTRICT LIBRARY AGREEMENT

The Library entered into an agreement with local participating municipalities on February 24, 1999. Among other things, the agreement provides for the Library to pay the City of Grand Haven an amount equal to the transfer value of the assets (as defined in the agreement) if the Library relocates its main library outside the City limits within the subsequent 150 years without City consent. This obligation would be funded only on the date on which the Library transfers its operations out of the City. The amount of the transfer value was determined to be \$9,230,378 as of June 30, 2025.

9. EQUITY

Net position reported on the government-wide financial statements and fund balances reported on the governmental funds balance sheet are categorized as follows:

	<u>Net Position</u>	<u>Fund Balances</u>
Net investment in capital assets	\$6,290,542	\$ -
Non-spendable prepaid items	-	20,634
Restricted for Debt Service		
Series A bonds	291,195	291,195
Series B Bonds	90	90
Committed for debt service	-	192,566
Assigned for future capital projects – maintenance fund	-	779,952
Assigned for future genealogy project – General Fund	-	5,832
Assigned for summer concert series	-	1,100
Assigned for materials	-	5,003
Assigned for subsequent year expenditures	-	-
Unrestricted net position	297,795	-
Unassigned fund balance	-	747,691
Total net position/fund balance	\$6,879,622	\$2,044,063

10. ENDOWMENT FUND AGREEMENT

The Library entered into an agreement with the Grand Haven Area Community Foundation on September 25, 2001, the purpose of which was to establish an endowment fund to provide funding for the support of the Loutit District Library. Distributions may be made only from net appreciation of the endowment at the request of the Library Board, subject to Foundation approval and certain conditions. The Board may also request that a portion or all of the investment return be re-invested in the endowment fund. The Library did not receive any distributions from the Endowment Fund during the past fiscal year. The value of this designated fund was \$32,203 as of June 30, 2025.

LOUIT DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

The Library also entered into an agreement with the Foundation on February 1, 2022, the purpose of which was to establish a non-endowed fund to accept donations in support of the Library. Distributions are subject to Foundation approval and certain conditions. The Library did not receive any distributions from the Non-Endowed Fund during the past fiscal year. The value of this designated fund was \$33,511 as of June 30, 2025.

11. CONTINGENCY

In the normal course of its activities, the Library has become a party in various legal actions. Management of the Library is of the opinion that the outcome of such actions will not have a material effect on the financial position of the Library and, therefore, has not reflected loss reserves in the financial statements.

12. TAX ABATEMENTS

The Library receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by cities, villages, and townships within the Library. Industrial facility exemptions are intended to promote construction of new industrial facilities and to rehabilitate existing facilities.

For the year ended June 30, 2025, the Library's property tax revenues were reduced by approximately \$2,900 under this program.

Public Act 381 of 1996, the Brownfield Redevelopment Financing Act, was adopted in the State of Michigan as a means to authorize municipalities to create a brownfield redevelopment authority to facilitate the implementation of brownfield plans; to create brownfield redevelopment zones; to promote the revitalization, redevelopment, and reuse of certain property, including, but not limited to, tax reverted, blighted, or functionally obsolete property; to prescribe the powers and duties of brownfield redevelopment authorities; to permit the issuance of bonds and other evidences of indebtedness by an authority; to authorize the acquisition and disposal of certain property; to authorize certain funds; to prescribe certain powers and duties of certain state officers and agencies; and to authorize and permit the use of certain tax increment financing.

For the year the Library's abated property tax revenues amounted to approximately \$33,000.

REQUIRED SUPPLEMENTARY INFORMATION

LOUIT DISTRICT LIBRARY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2025

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 2,574,700	\$ 2,645,909	\$ 2,648,773	\$ 2,864
Intergovernmental				
State revenues	39,604	40,000	42,730	2,730
County penal fees	100,000	85,000	90,633	5,633
Federal grants	-	500	500	-
Interest	50,000	55,440	56,016	576
Donations and miscellaneous	118,000	48,880	40,065	(8,815)
Total revenues	<u>2,882,304</u>	<u>2,875,729</u>	<u>2,878,717</u>	<u>2,988</u>
Expenditures				
Current				
Library				
Salaries and wages	1,420,350	1,401,000	1,411,033	(10,033)
Benefits	448,750	530,880	528,565	2,315
Books and periodicals	250,653	255,660	271,874	(16,214)
Lakeland Library Cooperative	25,000	25,300	25,267	33
Professional services	141,550	137,300	130,270	7,030
Insurance	22,000	17,440	17,439	1
Building and grounds	87,000	141,225	139,778	1,447
Equipment maintenance	1,250	1,800	1,753	47
Custodial	4,000	6,000	6,063	(63)
Library supplies	27,000	24,300	27,390	(3,090)
Postage	10,500	11,100	10,184	916
Telephone and internet	17,550	13,800	13,652	148
Printing and publishing	22,250	44,000	40,469	3,531
Utilities	97,500	97,500	111,744	(14,244)
Transfers to other libraries	58,600	60,000	59,768	232
Other expenditures	144,100	74,950	60,146	14,804
Capital outlay	112,700	185,595	126,463	59,132
Total expenditures	<u>2,890,753</u>	<u>3,027,850</u>	<u>2,981,858</u>	<u>45,992</u>
Revenues over (under) expenditures	<u>(8,449)</u>	<u>(152,121)</u>	<u>(103,141)</u>	<u>48,980</u>
Other financing sources (uses)				
Transfers in	92,000	110,000	108,640	(1,360)
Transfers out	(327,900)	(327,900)	(327,900)	-
Total other financing sources (uses)	<u>(235,900)</u>	<u>(217,900)</u>	<u>(219,260)</u>	<u>(1,360)</u>
Net changes in fund balance	(244,349)	(370,021)	(322,401)	47,620
Fund balance, beginning of year	<u>1,295,227</u>	<u>1,295,227</u>	<u>1,295,227</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,050,878</u>	<u>\$ 925,206</u>	<u>\$ 972,826</u>	<u>\$ 47,620</u>

LOUIT DISTRICT LIBRARY
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN EMPLOYERS NET PENSION
LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED JUNE 30, 2025

	December 31									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total pension liability										
Service cost	\$ 75,869	\$ 78,594	\$ 73,300	\$ 80,309	\$ 80,775	\$ 86,778	\$ 94,159	\$ 88,702	\$ 111,793	\$ 123,602
Interest	157,561	182,969	194,086	205,106	218,425	229,861	254,887	282,343	294,701	305,717
Changes in benefit terms	-	(3,936)	-	-	-	-	-	-	(1,911)	-
Difference between expected and actual experience	(670)	(42,068)	(46,023)	(17,131)	59,003	105,092	58,369	464	(31,386)	51,514
Changes in assumptions	136,608	-	-	-	79,313	249,924	162,237	-	34,875	8,407
Benefit payments including employee refunds	(57,456)	(58,639)	(89,284)	(84,923)	(119,158)	(173,522)	(194,766)	(206,283)	(218,885)	(222,969)
Other	4,924	-	(1)	-	-	-	12,305	-	-	1
Net change in total pension liability	316,836	156,920	132,078	183,361	318,358	498,133	387,191	165,226	189,187	266,272
Total pension liability, beginning of year	<u>1,960,303</u>	<u>2,277,139</u>	<u>2,434,059</u>	<u>2,566,137</u>	<u>2,749,498</u>	<u>3,067,856</u>	<u>3,565,989</u>	<u>3,953,180</u>	<u>4,118,406</u>	<u>4,307,593</u>
Total pension liability, end of year	<u>\$ 2,277,139</u>	<u>\$ 2,434,059</u>	<u>\$ 2,566,137</u>	<u>\$ 2,749,498</u>	<u>\$ 3,067,856</u>	<u>\$ 3,565,989</u>	<u>\$ 3,953,180</u>	<u>\$ 4,118,406</u>	<u>\$ 4,307,593</u>	<u>\$ 4,573,865</u>
Plan Fiduciary Net Position										
Contributions-employer	\$ 64,994	\$ 65,257	\$ 62,384	\$ 69,364	\$ 81,915	\$ 87,676	\$ 97,036	\$ 122,736	\$ 129,373	\$ 187,706
Contributions-employee	24,317	27,997	29,608	30,556	34,301	33,564	37,341	35,132	38,142	51,256
Net investment income (loss)	(26,666)	199,754	261,293	(88,812)	292,873	309,065	373,928	(308,311)	288,834	213,106
Benefit payments including employee refunds	(57,456)	(58,639)	(89,284)	(84,923)	(119,158)	(173,522)	(194,766)	(206,283)	(218,885)	(222,969)
Administrative expense	(3,833)	(3,939)	(4,130)	(4,337)	(5,052)	(4,866)	(4,289)	(5,486)	(6,122)	(6,365)
Net change in plan fiduciary net position	1,356	230,430	259,871	(78,152)	284,879	251,917	309,250	(362,212)	231,342	222,734
Plan fiduciary net position, beginning of year	<u>1,721,189</u>	<u>1,722,545</u>	<u>1,952,975</u>	<u>2,212,846</u>	<u>2,134,694</u>	<u>2,419,573</u>	<u>2,671,490</u>	<u>2,980,740</u>	<u>2,618,528</u>	<u>2,849,870</u>
Plan fiduciary net position, end of year	<u>\$ 1,722,545</u>	<u>\$ 1,952,975</u>	<u>\$ 2,212,846</u>	<u>\$ 2,134,694</u>	<u>\$ 2,419,573</u>	<u>\$ 2,671,490</u>	<u>\$ 2,980,740</u>	<u>\$ 2,618,528</u>	<u>\$ 2,849,870</u>	<u>\$ 3,072,604</u>
Employer net pension liability	<u>\$ 554,594</u>	<u>\$ 481,084</u>	<u>\$ 353,291</u>	<u>\$ 614,804</u>	<u>\$ 648,283</u>	<u>\$ 894,499</u>	<u>\$ 972,440</u>	<u>\$ 1,499,878</u>	<u>\$ 1,457,723</u>	<u>\$ 1,501,261</u>
Plan fiduciary net position as a percentage of the total pension liability	76%	80%	86%	78%	79%	75%	75%	64%	66%	67%
Covered employee payroll	\$ 607,923	\$ 615,938	\$ 572,655	\$ 621,106	\$ 609,622	\$ 659,410	\$ 676,428	\$ 612,581	\$ 799,084	\$ 1,040,248
Employer's net pension liability as a percentage of covered employee payroll	91%	78%	62%	99%	106%	136%	144%	245%	182%	144%

Note to schedule:

Above data is based on a measurement date of December 31.

LOUIT DISTRICT LIBRARY
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2025

Fiscal Year end	Actuarially determined contributions	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
6/30/2016	\$ 64,994	\$ 64,994	\$ -	\$ 607,923	10.69%
6/30/2017	62,257	62,257	-	615,938	10.11%
6/30/2018	62,384	62,384	-	572,655	10.89%
6/30/2019	76,139	76,139	-	621,106	12.26%
6/30/2020	81,370	81,370	-	609,622	13.35%
6/30/2021	82,006	82,006	-	659,410	12.44%
6/30/2022	122,918	122,918	-	676,428	18.17%
6/30/2023	124,131	124,131	-	612,581	20.26%
6/30/2024	166,613	166,613	-	799,084	20.85%
6/30/2025	183,703	183,703	-	1,040,248	17.66%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	15 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary increases	3.00% (3.75% for 2015 through 2019)
Investment rate of return	6.93% (7.0% 2022 to 2023; 7.35% 2020 to 2021; 7.75% 2015 to 2019)
Retirement age	60
Mortality	Mortality rates used for non-disabled plan member were based on 106% of PubG-2010 tables with future mortality improvements using MP-2019 scale applied fully generationally from the Pub-2010 base year of 2010. Mortality rates used for disabled plan members were based on PubNS-2010 Disabled Retiree Tables.