Auburn Hills Public Library

Financial Statements

December 31, 2025

YEO & YEO

BUSINESS SUCCESS PARTNERS

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Independent Auditors' Report

Library Board of Trustees and Management
Auburn Hills Public Library
Auburn Hills, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of the Auburn Hills Public Library (the Library), as of and for the year ended December 31, 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 the major fund of the Library as of December 31, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, budgetary comparison schedule, and the other post employment benefit schedules, 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.

Yeo & Yeo, P.C.

Troy, Michigan
May 18, 2026

The management's discussion and analysis of Auburn Hills Public Library's (the "Library") financial performance provides an overview of the Library's financial activities for the fiscal year ended December 31, 2025. Please read it in conjunction with the Library's financial statements.

Financial Highlights

In 2025, the Library had two major consulting projects: one to guide staff through the development of a new strategic plan and another to conduct a salary and compensation study. Based on the findings of the compensation study, most Library staff received a mid-year wage correction. The total cost for these projects was $38,300.

The Library also completed several capital improvement projects in 2025, including two office renovations involving furniture relocation and the purchase of new furnishings, improvements to the outdoor space with the installation of a patio, fencing, and gates, a cabling upgrade with a new security system installation, and a staff bathroom renovation. These projects totaled $78,490.68.

Using This Annual Report

This annual report consists of three parts: (1) management's discussion and analysis (this section), (2) the basic financial statements, and (3) required supplementary information. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The basic financial statements include information that presents two different views of the Library:

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These fund financial statements focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustments column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method of accounting.
- The third column presents the Library's operations on a full accrual basis, which provides both long- and short-term information about the Library's overall financial status. The statement of net position and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances.

Condensed Financial Information

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Library, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $3,102,834 at the close of the most recent fiscal year. The following tables show key financial information in a condensed format for the government-wide statement of net position and the statement of activities:

The Library's Net Position

	2025	2024
Assets		
Current and other assets	$ 4,874,141	$ 4,411,478
Capital assets, net of accumulated depreciation	2,788,902	3,097,874
Total assets	7,663,043	7,509,352
Deferred Outflows of Resources	-	24,552
Liabilities		
Current liabilities	449,585	422,907
Noncurrent liabilities:	1,931,879	2,245,960
Total liabilities	2,381,464	2,668,867
Deferred Inflows of Resources		
Property taxes levied for a subsequest period	2,150,552	2,094,904
Deferred amount related to net OPEB liability	28,193	44,128
Total deferred inflows of resources	2,178,745	2,139,032
Net Position		
Net investment in capital assets	562,608	566,396
Restricted for OPEB	48,203	-
Unrestricted	2,492,023	2,159,609
Total net position	$ 3,102,834	$ 2,726,005

The Library's Changes in Net Position

	2025	2024
Revenues		
Property taxes	$ 2,075,058	$ 1,956,892
State shared revenue and grants	456,902	419,461
Local Contributions	3,312	5,707
Interest income	118,626	109,809
Other revenue	12,865	10,040
Total revenue	2,666,763	2,501,909
Expenses		
Salaries and wages	1,024,414	922,949
Fringe benefits	255,865	196,241
Supplies	59,732	(13,455)
Maintenance	58,353	113,982
Other	80,451	77,317
Insurance	9,521	3,677
Computer charges	46,910	50,858
Contracted services	138,400	127,214
Depreciation	572,366	592,864
Debt Service	43,922	39,280
Total expenses	2,289,934	2,110,927
Change in Net Position	$ 376,829	$ 390,982

The Library as a Whole

The Library reports a net position of $3,102,834 this year on a full accrual basis, as compared to a fund balance of $2,579,187 on the modified accrual basis of accounting.

The Library's primary source of revenue is from property taxes. For 2025, total tax collections were $2,075,058. This represents approximately 78 percent of total revenue. In addition to property taxes, the Library receives intergovernmental revenue from the State, the largest of which is from the Local Community Stabilization Authority, which totaled approximately $361,138 in 2025.

Salaries are the largest overall expenditures of the Library. For 2025, this expenditure was $1,024,414 representing approximately 45 percent of the Library's total expenditures.

Total expenses on a full accrual basis for the entire year increased from $2,110,927 in 2024 to $2,289,934 in 2025.

The Library's Fund

Our analysis of the Library's General Fund is included on pages 3-1 to 3-3 in the first column of the respective statements. The fund column provides detailed information about the General Fund on a modified accrual method, which is a short-term perspective measuring the flow of financial resources, not the Library's operations on a full accrual basis of accounting, which provides a longer-term measurement of total economic resources. The Library's only fund is the General Fund. The fund balance of the General Fund increased approximately $366,373 for the year.

Capital Assets and Debt Administration

At the end of the year, the Library had approximately $3,098,000 invested in leased buildings, furniture, equipment, building leasehold improvements, books, and materials. The Library added approximately $119,000 in new collection items, consisting mainly of books, video materials, audiobooks, music CDs, and downloadable material.

It should be noted that the Library's building itself is an asset of the City of Auburn Hills, Michigan. The Library had approximately $2,253,000 of long-term liabilities. This represents an estimate of the Library's lease liability as well as compensated absences and other postemployment benefits.

Economic Factors and Next Year's Budget

For 2026, the Library Board approved an estimated $157,000 for special projects. Major planned projects include renovating the Library's kitchenettes, purchasing furniture for the outdoor patio, and working with a consultant to revise job descriptions and performance appraisal processes.

Contacting the Library's Management

If you have questions about this report or need additional information, we welcome you to contact the director, Kathleen Kwiatkowski, at 248-370-8125 or via email at kwiatkowskik@ahplibrary.org.

Auburn Hills Public Library
Statement of Net Position and Governmental Fund Balance Sheet
December 31, 2025

	Balance Sheet	Adjustments	Statement of Net Position
Assets			
Current assets			
Cash and cash equivalents	$ 1,248,798	$ -	$ 1,248,798
Investments	1,441,532	-	1,441,532
Receivables			
Accounts	3,736	-	3,736
Taxes	1,996,074	-	1,996,074
Due from other units of government	114,908	-	114,908
Prepaid items	20,890	-	20,890
Total current assets	4,825,938	-	4,825,938
Noncurrent assets			
Capital assets, net of accumulated depreciation	-	2,788,902	2,788,902
Net OPEB asset	-	48,203	48,203
Total noncurrent assets	-	2,837,105	2,837,105
Total assets	$ 4,825,938	2,837,105	7,663,043

See Accompanying Notes to the Financial Statement

Auburn Hills Public Library
Statement of Net Position and Governmental Fund Balance Sheet
December 31, 2025

	Balance Sheet	Adjustments	Statement of Net Position
Liabilities			
Current liabilities			
Accounts payable	$ 52,391	$ -	$ 52,391
Due to taxpayers	25,509	-	25,509
Payroll and other liabilities	18,299	-	18,299
Compensated absences	-	29,167	29,167
Current portion of lease liabilities	-	324,219	324,219
Total current liabilities	96,199	353,386	449,585
Noncurrent liabilities			
Compensated absences	-	29,804	29,804
Long-term lease liabilities	-	1,902,075	1,902,075
Total noncurrent liabilities	-	1,931,879	1,931,879
Total liabilities	96,199	2,285,265	2,381,464
Deferred inflows of resources			
Unavailable revenue - taxes	2,150,552	-	2,150,552
OPEB related	-	28,193	28,193
Total deferred inflows of resources	2,150,552	28,193	2,178,745
Fund balance			
Non-spendable			
Prepaid items	20,890	(20,890)	-
Unassigned	2,558,297	(2,558,297)	-
Total fund balance	2,579,187	(2,579,187)	-
Total liabilities, deferred inflows of resources and fund balance	$ 4,825,938		
Net position			
Net investment in capital assets		562,608	562,608
Restricted for OPEB		48,203	48,203
Unrestricted		2,492,023	2,492,023
Total net position		$ 3,102,834	$ 3,102,834

Auburn Hills Public Library
Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2025

	Statement of Revenues, Expenditures and Changes in Fund Balance	Adjustments	Statement of Activities
Revenues			
Taxes	$ 2,075,058	$ -	$ 2,075,058
State grants	456,902	-	456,902
Local contributions	3,312	-	3,312
Investment income	118,626	-	118,626
Other revenue	12,865	-	12,865
Total revenues	2,666,763	-	2,666,763
Expenditures / expense			
Salaries and wages	1,024,414	-	1,024,414
Fringe benefits	270,109	(14,244)	255,865
Supplies	181,640	(121,908)	59,732
Maintenance	58,353	-	58,353
Other	80,451	-	80,451
Insurance	9,521	-	9,521
Computer charges	46,910	-	46,910
Contracted services	138,400	-	138,400
Capital outlay	141,486	(141,486)	-
Debt service	349,106	(305,184)	43,922
Depreciation	-	572,366	572,366
Total expenditures / expense	2,300,390	(10,456)	2,289,934
Net change in fund balance / net position	366,373	10,456	376,829
Fund balance / net position - beginning of year	2,212,814	513,191	2,726,005
Fund balance / net position - end of year	$ 2,579,187	$ 523,647	$ 3,102,834

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

Auburn Hills Public Library (the “Library”) is located in the City of Auburn Hills, Michigan (the “City”). The Auburn Hills Public Library is governed by an elected six-member board. The Library is funded primarily through a tax levy, state aid, fines, and fees. Revenue is used to operate and staff the Library. The Library facility is owned by the City of Auburn Hills, Michigan.

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

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 *Governmental activities* and are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are 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.*

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's General Fund).

Property taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

The Library reports the following major governmental funds:

The General Fund is the Library’s primary operating fund. It accounts for all financial resources of the Library.

Assets, Liabilities, and Net Position or Fund Balance

Deposits and investments – Cash includes bank deposits and on hand. Investments include amounts held in a pooled account at the City of Auburn Hills, Michigan and are stated at fair value.

Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The Library's 2025 property tax revenue was levied and collectible on December 1, 2024 and is recognized as revenue in the year ended December 31, 2025 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2024 taxable valuation of the Library totaled $2.2 billion (a portion of which is abated and a portion of which is captured by the City of Auburn Hills, Michigan TIFA districts and Brownfield), on which taxes levied consisted of 1.0000 mill for operating purposes. These amounts are recognized in the General Fund financial statements as tax revenue.

Prepaid items – Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the Library follows the consumption method, and they therefore are capitalized as prepaid items in both government-wide and fund financial accounts.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial individual cost of more than $500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the Library values these capital assets at the estimated acquisition value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Leasehold improvements	15 years
Furniture, fixtures and equipment	5 to 10 years
Library books and audiovisual materials	5 years

Deferred outflows of resources – A deferred outflow of resources represents a consumption of net assets by the Library that applies to future periods. The Library may report deferred outflows of resources as a result of the following:

- OPEB earnings which are the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in OPEB expense.
- Changes in assumptions and experience differences relating to the net OPEB asset are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan.
- OPEB contributions made after the measurement date. This amount will increase the net OPEB asset in the following year.

Compensated absences – It is the Library's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. A liability is recognized for leave that has been earned but not used when it is both attributable to services already rendered and more likely than not to be either used for time off or otherwise paid or settled. The liability for compensated absences is reported in the government-wide financial statements. In the governmental fund financial statements, a liability is reported only for amounts that are due for payment (e.g., employee resignations, retirements, or terminations) as of year-end.

Other Postemployment Benefits (OPEB) – For purposes of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Auburn Hills Retiree Health Care Plan (AHRHCP) and additions to/deductions from AHRHCP's fiduciary net position have been determined on the same basis as they are reported by AHRHCP. For this purpose, AHRHCP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Deferred inflows of resources – A deferred inflow of resources represents an acquisition of net assets by the Library that applies to future periods. The Library may report deferred inflows of resources as a result of the following:

- Property taxes levied for the following year. These amounts are deferred inflows until the following fiscal year to where they are recognized as revenues.
- OPEB earnings which are the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in OPEB expense.
- Changes in assumptions and experience differences relating to the net OPEB asset are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan.

Net position - Net position of the Library is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted for OPEB represents the portion of net position that is constrained for use in funding other postemployment benefits and cannot be used for general governmental purposes. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted for OPEB.

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

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

Fund balance policies - Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The Library itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

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

At year end, the Library has neither committed nor assigned fund balance.

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, deferred outflows, liabilities, deferred inflows 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.

Adoption of New Accounting Standards
Statement No. 102, Certain Risk Disclosures, requires organizations to provide users of the financial statements with essential information about risks related to the organization’s vulnerabilities due to certain concentrations or constraints.

Upcoming Accounting and Reporting Changes
Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing an organization’s accountability while also addressing certain application issues. This statement includes changes to management’s discussion and analysis, unusual or infrequent items, presentation of the proprietary fund statements of revenues, expenses, and changes in fund net position, major component unit information, and budgetary comparison information. This statement is effective for the year ending December 31, 2026.

Statement No. 104, *Disclosure of Certain Capital Assets*, requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 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. This statement is effective for the year ending December 31, 2026.

Statement No. 105, *Subsequent Events*, establishes accounting and financial reporting standards for events or transactions that occur after the measurement date of the financial statements but before the date the financial statements are available to be issued. This Statement distinguishes between events that provide additional evidence about conditions that existed at the date of the financial statements and events that provide evidence about conditions that did not exist at that date. Events that provide additional evidence about conditions existing at the financial statement date are recognized in the financial statements, whereas events that provide evidence about conditions arising after the financial statement date are not recognized but should be disclosed if they are essential for users’ understanding of the financial statements. This Statement also clarifies the definition of the date the financial statements are available to be issued for disclosure purposes. This Statement is effective for the year ending December 31, 2027.

The Library is evaluating the impact that the above GASB statements will have on its financial reporting.

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts, commercial paper, municipal bonds, and certificates of deposit.

The Library's investment policies are in accordance with statutory authority. The Library's investments in the amount of $1,441,532 are commingled in a pooled account administered by the City of Auburn Hills, Michigan; therefore, separate custodial credit risk is not applicable, and the types of individual investments held by the Library inside the pool are not determinable.

Note 3 - Fair Value Measurements

The Library categorizes its fair value measurements 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; and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Library's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Library has the following recurring fair value measurements as of December 31, 2025:

Commingled investments in a pooled account administered by the City of Auburn Hills, Michigan of $1,441,532 are valued using the Library's percentage of the total investments in the pooled account (Level 2 investment). All investments held in the pooled account administered by the City of Auburn Hills, Michigan are Level 1 or 2 investments.

Note 4 - Capital Assets

Capital assets activity for the current year is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets being depreciated				
Leasehold improvements	$ 227,827	$ 36,033	$ -	$ 263,860
Library books and audio/visual materials	607,196	129,700	103,127	633,769
Right to use asset - building	3,249,011	-	-	3,249,011
Right to use asset - equipment	70,473	-	-	70,473
Right to use asset - subscription arrangements	5,930	-	5,930	-
Office furnishings	901,199	97,661	-	998,860
Total capital assets being depreciated	5,061,636	263,394	109,057	5,215,973
Less accumulated depreciation for				
Leasehold improvements	64,076	17,348	-	81,424
Library books and audio/visual materials	358,446	84,586	103,127	339,905
Right to use asset - building	974,703	324,901	-	1,299,604
Right to use asset - equipment	11,225	13,423	-	24,648
Right to use asset - subscription arrangements	5,683	247	5,930	-
Office furnishings	549,629	131,861	-	681,490
Total accumulated depreciation	1,963,762	572,366	109,057	2,427,071
Net capital assets being depreciated	3,097,874	(308,972)	-	2,788,902
Governmental activities net capital assets	$ 3,097,874	$ (308,972)	$ -	$ 2,788,902

Note 5 - Leases

During 2022, the Library entered into a 10 year lease agreement for a building with the City of Auburn Hills. Monthly payments of $24,765 are required and include interest at a rate of 1.8 percent. Payments increase 4 percent annually. An initial lease liability was recorded in the amount of $3,249,011. The value of the right-to-use asset as of the end of the current fiscal year was $3,249,011 and had accumulated amortization of $1,299,604.

During 2024, the Library entered into a 5 year lease agreement for copiers. Monthly payments of $1,235 are required and include interest at a rate of 3.91 percent. An initial lease liability was recorded in the amount of $70,473. The value of the right-to-use asset as of the end of the current fiscal year was $70,473 and had accumulated amortization of $24,648.

Annual requirements to amortize long-term obligations are as follows:

Year Ending December 31,	Governmental Activities Principal	Governmental Activities Interest
2026	$ 324,219	$ 38,261
2027	344,412	31,975
2028	365,543	35,306
2029	377,928	18,082
2030	395,307	11,405
2031-2035	418,885	1,094
	$ 2,226,294	$ 136,123

Note 6 - Long-Term Debt

Long-term obligation activity is summarized below. Compensated absences additions and deductions are reported net.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Leases	$ 2,531,221	$ -	$ 304,927	$ 2,226,294	$ 324,219
Subscriptions	257	-	257	-	-
Compensated absences	31,658	27,313	-	58,971	29,167
Total governmental activities	$ 2,563,136	$ 27,313	$ 305,184	$ 2,285,265	$ 353,386

Note 7 - Net Investment in Capital Assets

The composition of net investment in capital assets as of year end, was as follows:

	Governmental Activities
Capital assets	
Capital assets, net of accumulated depreciation	$ 2,788,902
Related debt	
Leases	(2,226,294)
Net investment in capital assets	$ 562,608

Note 8 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 - Defined Contribution Plan

The Library participates in the City's defined contribution plan. The City's City Council has authority over the plan provisions and contribution requirements. At December 31, 2025, there were nine active employee participants. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Library is required to contribute between 9 and 12 percent of total salaries. Employees may contribute up to 100 percent of their salaries, not to exceed amounts limited by statute. In accordance with these requirements, the Library contributed $73,213. Employees are vested after five years of service.

Note 10 - Other Postemployment Benefit Plan

Plan Description
The Library provides OPEB for all employees who meet eligibility requirements. The benefits are provided through the Auburn Hills Retiree Health Care Plan, a cost-sharing, multiple-employer plan administered by the Auburn Hills Retiree Health Care Plan board. The Auburn Hills Retiree Health Care Plan issues a publicly available financial report that can be obtained at www.auburnhills.org.

Benefits Provided
The Auburn Hills Retiree Health Care Plan provides health care, dental, and vision benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan. As of January 1, 2012, the plan was closed to new entrants.

Contributions
The City of Auburn Hills' City Code grants the authority to establish and amend the contribution requirements of the City and Library to the Retiree Healthcare Board. The Library has no obligation to make contributions in advance of when the insurance premiums are due for payment. Contributions to the plan from the Library were $0 for the year ended December 31, 2025. Employees are not required to make contributions.

Net OPEB Asset
At December 31, 2025, the Library reported an asset of $48,203 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of December 31, 2025, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2024, which used update procedures to roll forward the estimated liability to December 31, 2025. The Library's proportion of the net OPEB asset was based on the Library's plan members as a percentage of the total plan members. At December 31, 2025, the Library's proportion was 3.45 percent, which was an increase of 0.6344 percent from its proportion measured as of December 31, 2024.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended December 31, 2025, the Library recognized OPEB expense of $(36,768).

At December 31, 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	Total to Amortize
Net difference between projected and actual earning on plan investments	$ -	$ (28,193)	$ (28,193)

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 December 31,	
2026	$ 17,550
2027	(16,271)
2028	(17,646)
2029	(11,826)
	$ (28,193)

Actuarial Assumptions
The total OPEB liability in the December 31, 2023 actuarial valuation was determined using an investment rate of return (net of investment expenses) of 6.25 percent; a health care cost trend rate of 5.9 percent for 2025, decreasing to an ultimate rate of 3.9 percent over 50 years for pre-Medicare participants, and a health care cost trend rate of 6.3 percent for 2025, decreasing to an ultimate rate of 3.9 percent over 50 years for post-Medicare participants; and mortality rates were based on the PubS-2010 with Generational Projection per MP-2021.

Discount Rate
The discount rate used to measure the total OPEB liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that library contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 adding expected inflation. Best estimates of arithmetic real rates of return as of the December 31, 2025 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Cash	1.00%	0.85%
US Core Fixed Income	29.00%	2.33%
US Large Cap Equity	28.00%	5.47%
US Small & Mid Cap Equity	12.00%	5.80%
Non-US Equity	16.00%	7.00%
Private Real Estate Property	9.00%	5.91%
Hedge Funds	5.00%	2.48%

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset of the Library, calculated using the discount rate of 6.25%, as well as what the Library's net OPEB 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
Net OPEB liability (asset)	$ 99,007	$ (48,203)	$ (168,619)

Sensitivity of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB asset of the Library, calculated using the health care cost trend rates as described above, as well as what the Library's net OPEB 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	Healthcare Cost Trend Rates	1% Increase
Net OPEB liability (asset)	$ (190,103)	$ (48,203)	$ 125,859

Note 11 - Related Party Transactions

Lease/Services Agreement

On November 15, 2021, the Library and the City of Auburn Hills, Michigan entered into an agreement for building rent and administrative services for the period from January 1, 2022, through December 31, 2031. Note 5 outlines additional details about this lease.

Note 12 - Tax Abatements

The Library receives reduced property tax revenue as a result of tax abatement agreements granted by the City of Auburn Hills, Michigan. The tax abatement agreements include the following:

The City uses the New Facility Industrial Facilities Exemption Certificate (IFEC) to enter into agreements with local businesses for industrial real property and land improvements, other than a replacement facility to be built or installed in a plant rehabilitation district or industrial development district by an existing new business or new business, as provided in Public Act (PA) 198 of 1974. For the fiscal year ended December 31, 2025, the Library's property tax revenue was reduced by approximately $34,491 under this program.

There are no abatements entered into by the Library itself.

Note 13 - Reconciliation of Fund Financial Statements to Government-wide Financial Statements

Total fund balance and the net change in fund balance of the Library's governmental fund differs from net position and changes in net position of the governmental activities reported in the statement of net position and statement of activities. This difference primarily results from the long-term economic focus of the statement of net position and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and changes in fund balance.

The following are reconciliations of fund balance to net position:

Fund balance - governmental fund	$ 2,579,187
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets, net of accumulated depreciation	2,788,902
Net OPEB asset is not recorded as an asset in the governmental funds	48,203
Deferred inflows of resources resulting from net OPEB asset	(28,193)
Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.	
Compensated absences	(58,971)
Lease liabilities	(2,226,294)
Net position of governmental activities	$ 3,102,834

The following are reconciliations of the net change in fund balance to the net change in net position:

Net change in fund balances - total governmental fund	$	366,373
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.		
Depreciation expense		(572,366)
Capital outlay		263,394
Expenses are recorded when incurred in the statement of activities.		
Compensated absences		(27,313)
The statement of net position reports the net OPEB asset and deferred outflows of resources and deferred inflows related to the net OPEB asset and equals actual OPEB contributions.		
Net change in the net OPEB asset		50,174
Net change in the deferred outflow of resources related to the net OPEB asset		(24,552)
Net change in the deferred inflow of resources related to the net OPEB asset		15,935
Long-term liabilities and related transactions applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.		
Repayments of long-term debt		305,184
Change in net position of governmental activities	$	376,829

Auburn Hills Public Library
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2025

	Budgeted Amounts			Actual Over (Under) Final
	Original	Final	Actual	Budget
Revenues				
Taxes	$ 2,061,035	$ 2,061,035	$ 2,075,058	$ 14,023
State grants	393,975	393,975	456,902	62,927
Local contributions	2,500	2,500	3,312	812
Investment income	87,786	87,786	118,626	30,840
Other revenue	2,500	2,500	12,865	10,365
Total revenues	2,547,796	2,547,796	2,666,763	118,967
Expenditures				
Capital outlay	261,000	211,400	141,486	(69,914)
Salaries and wages	1,026,702	1,064,702	1,024,414	(40,288)
Fringe benefits	282,374	288,774	270,109	(18,665)
Supplies	196,000	196,000	181,640	(14,360)
Maintenance	50,000	80,082	58,353	(21,729)
Other	96,300	101,300	80,451	(20,849)
Insurance	15,000	15,000	9,521	(5,479)
Computer charges	70,000	70,000	46,910	(23,090)
Contracted services	150,000	150,000	138,400	(11,600)
Debt service	350,200	350,400	349,106	(1,294)
Total expenditures	2,497,576	2,527,658	2,300,390	(227,268)
Excess of revenues over expenditures	50,220	20,138	366,373	346,235
Fund balance - beginning of year	2,212,814	2,212,814	2,212,814	-
Fund balance - end of year	$ 2,263,034	$ 2,232,952	$ 2,579,187	$ 346,235

Auburn Hills Public Library
Required Supplementary Information
Schedule of the Library's Proportionate share of the Net OPEB Liability (Asset)
Auburn Hills Retiree Health Care Plan

Fiscal year ended December 31,	2025	2024	2023	2022	2021	2020	2019	2018	2017
Library's proportion of the net OPEB liability (asset)	3.45000%	2.81564%	3.22070%	3.05970%	3.22373%	3.09201%	2.56916%	2.65668%	1.07246%
Library's proportionate share of the net OPEB liability (asset)	$ (48,203)	$ 1,971	$ 123,620	$ 162,113	$ 86,511	$ 429,607	$ 417,070	$ 465,980	$ 172,728
Library's covered-employee payroll	N/A	N/A	N/A	N/A	50,892	52,950	50,369	49,298	48,370
Library's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A	169.99%	811.34%	828.03%	945.23%	357.10%
Plan fiduciary net position as a percentage of total OPEB liability (asset)	104.21%	98.80%	88.72%	84.44%	92.27%	66.44%	58.67%	51.31%	52.86%

Auburn Hills Public Library
Required Supplementary Information
Schedule of OPEB Contributions
Auburn Hills Retiree Health Care Plan

Fiscal Year Ending December 31,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Excess (Deficiency)
2016	$ 8,610	$ 8,610	$ -
2017	9,690	9,690	-
2018	15,509	15,509	-
2019	12,015	12,015	-
2020	9,637	9,637	-
2021	5,859	5,859	-
2022	3,415	3,415	-
2023	3,388	3,388	-
2024	1,803	1,803	-
2025	-	-	-

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year end. The annual budget is prepared by the library director during August for the next fiscal year. The budget is presented to the library board in September for adoption. Subsequent amendments are approved by the library board.

The budget has been adopted for the Library's activity in total; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget, as prepared by the library board, is included in the subtotals for total revenue and total expenditures. The remaining budget-to-actual detail is used to provide additional analysis for management purposes.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

OPEB Information

Changes in Assumptions

1. The long-term assumed rate of return was 6.57 percent in 2017, 6.50 percent in 2018, 6.25 percent in 2019, 6.00 percent in 2020, 6.00 percent in 2021, 6.00 percent in 2022, 6.25 in 2023, 6.25 in 2024, and 6.25 in 2025.

2. The mortality tables have been updated annually:
   2017: RP-2014 with Generational Mortality Scale MP-2016
   2018: RP-2014 with Generational Mortality Scale MP-2017
   2019: RP-2014 with Generational Mortality Scale MP-2018
   2020: Pub-2010 with Generational Projection per MP-2019
   2021: Pub-2010 with Generational Projection per MP-2020
   2022: Pub-2010 with Generational Projection per MP-2021
   2023: Pub-2010 with Generational Projection per MP-2021
   2024: PubS-2010 with Generational Projection per MP-2021
   2025: PubS-2010 with Generational Projection per MP-2021

3. The single discount rate was 6.57 percent in 2017, 6.50 percent in 2018, 6.25 percent in 2019, 6.00 percent in 2020, 6.00 percent in 2021, 6.00 percent in 2022, 6.25 in 2023, 6.25 in 2024, and 6.25 in 2025.

4. Health care cost trend rates have been updated as follows:

    2021: The health care cost trend rate was 5.0 percent for 2021, decreasing to an ultimate rate of 4.0 percent over 54 years for pre-Medicare participants, and a health care cost trend rate of 5.0 percent for 2021, decreasing to an ultimate rate of 4.0 percent over 54 years for post-Medicare participants.

    2022: The health care cost trend rate was 6.0 percent for 2022, decreasing to an ultimate rate of 3.9 percent over 51 years for pre-Medicare participants, and a health care cost trend rate of 5.9 percent for 2023, decreasing to an ultimate rate of 3.9 percent over 51 years for post-Medicare participants.

    2023: The health care cost trend rate was 6.0 percent for 2023, decreasing to an ultimate rate of 3.9 percent over 51 years for pre-Medicare participants, and a health care cost trend rate of 5.9 percent for 2022, decreasing to an ultimate rate of 3.9 percent over 51 years for post-Medicare participants.

    2024: The health care cost trend rate was 6.4 percent for 2024, decreasing to an ultimate rate of 3.9 percent over 50 years for pre-Medicare participants, and a health care cost trend rate of 7.3 percent for 2024, decreasing to an ultimate rate of 3.9 percent over 50 years for post-Medicare participants.

    2025: The health care cost trend rate was 5.9 percent for 2025, decreasing to an ultimate rate of 3.9 percent over 50 years for pre-Medicare participants, and a health care cost trend rate of 6.3 percent for 2025, decreasing to an ultimate rate of 3.9 percent over 50 years for post-Medicare participants.