CASS DISTRICT LIBRARY

FINANCIAL STATEMENTS

WITH REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2025

KRUGGEL LAWTON CPA

St. Joseph, MI

Cass District Library
Cassopolis, Michigan
Financial Statements
December 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Cass District Library
Cassopolis, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Cass District 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 each major fund of the Library as of December 31, 2025, and the respective changes in financial position for the year then ended in conformity 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 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.

Emphasis of Matter

As discussed in Note 15 to the financial statements, in fiscal year 2025 the Library's net position has been restated as of December 31, 2024, as a result of a correction of error. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

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 three 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 judgement and maintain professional skepticism through 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 including 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 or 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 of 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.

INDEPENDENT AUDITOR'S REPORT, CONCLUDED

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, 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.

Respectfully submitted,

Kruggel, Lawton & Company, LLC

Certified Public Accountants

St. Joseph, Michigan
March 18, 2026

As management of Cass District Library (the "Library"), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the year ended December 31, 2025.

FINANCIAL HIGHLIGHTS

- ✓ The assets and deferred outflows of resources for the Library exceeded its liabilities and deferred inflows of resources at the close of the most recent year by $3,443,768 and of this amount, $1,238,493 is unrestricted and may be used to meet the Library's ongoing obligations to citizens and creditors.
- ✓ The Library's total net position increased by $381,516 and increased by $481,881 for the years ended December 31, 2025 and 2024, respectively.
- ✓ As of the close of the current year, the Library's governmental funds reported an ending fund balance of $2,123,784. For this year, expenditures exceeded revenues by $3,175,673 due to the capital expansion of the Edwardsburg Building.
- ✓ Unassigned fund balance for the General Fund was $1,574,813 or 105.31%, and $1,305,862 or 93.62% of the total General Fund expenditures for 2025 and 2024, respectively.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis (this section), the basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the library:

- The first three columns of the financial statement includes information on the Library's General Fund, Capital Project Fund, and Debt Service Fund, under the modified accrual method. The *fund financial statements* focus on the current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustment 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.
- The *library as a whole* financial statement column provides both *long-term* 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. These statements tell how these services were financed in the short-term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the Library, liabilities and deferred inflows of resources exceeded assets and deferred outflows of by $3,443,768 at the close of the most recent year. A portion of the Library's net position, $2,144,426 is reflected in its net investment in capital assets. The Library uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. The following table compares key financial information in a condensed format:

	December 31,	
	2025	2024 Restated*
Assets:		
Current Assets	$ 4,767,317	$ 7,277,144
Capital Assets, net	6,671,471	3,233,166
Total Assets	$ 11,438,788	$ 10,510,310
Deferred Outflows of Resources	$ 52,289	$ 82,035
Total Assets and Deferred Outflows of Resources	$ 11,491,077	$ 10,592,345
Liabilities:		
Current Liabilities	$ 935,641	$ 407,967
Noncurrent Liabilities	5,183,390	5,258,242
Total Liabilities	$ 6,119,031	$ 5,666,209
Deferred Inflows of Resources	$ 1,928,278	$ 1,863,884
Net Position:		
Net Investment in Capital Assets	$ 2,144,426	$ 1,740,875
Restricted	60,849	31,149
Unrestricted	1,238,493	1,290,228
Total Net Position	$ 3,443,768	$ 3,062,252
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 11,491,077	$ 10,592,345

	For the Year Ended December 31,	
Revenues:	2025	2024 Restated*
Taxes	$ 1,744,582	$ 1,619,561
Other	453,458	386,843
Total Revenues	$ 2,198,040	$ 2,006,404
Expenses-Library Services	1,816,524	1,524,523
Change in Net Position	$ 381,516	$ 481,881

*2024 figures have been updated for correction of an error, see Note 15 of the notes to the financial statements.

The unrestricted net position of $1,238,493 may be used to meet the Library's ongoing obligations to citizens and creditors. The restricted net position of $60,849 is restricted for capital projects expenditures after the new building is completed that is being held in a community foundation. At the end of the current year, the Library is able to report positive balances in both categories of net position for its governmental activities. The Library's net position shows an increase of $381,516.

The Library's governmental revenues increased by approximately $192,000 and expenses increased by $292,000. Revenues increased due to an increase in USF grants, investment income, and taxes. Expenses increased mainly due to an increase in salaries expenditures.

GOVERNMENTAL FUND ANALYSIS

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

Governmental Funds. 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 year.

As of the end of the current year, the Library's governmental funds reported ending fund balance of $2,123,784 with a decrease of $3,175,673. The General Fund expenditures were comparable to 2024 with the exception for the increase in salaries, employee benefits, and capital expenditures. The Capital Project Fund capital expenditures increased by $2,096,645 related to the bond project. $1,574,813 of the Library's fund balance is classified as *unassigned fund balance*, which is available for spending at the Library's discretion. The other $548,971 of the Library's fund balance is classified as *restricted fund balance*, which is restricted, respectively, for capital projects. The General Fund, Capital Project Fund, and Debt Service Fund are the only operating funds of the Library.

LIBRARY BUDGETARY HIGHLIGHTS

Actual revenues were over the amended budget by $56,675.

Actual expenditures were under budget by $127,902 as salaries, employee benefits, and program expenditures were lower than what was budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

During the current year, the Library invested $3,639,745 in capital assets for its governmental activities. This investment includes library books and building improvements for the new Edwardsburg branch. The Library disposals are fully-depreciated books.

At December 31, 2025, the Library had total debt outstanding of $5,180,041. Outstanding debt consisted of $5,006,059 for bonds payable net of premiums/discounts, $15,725 for capital leases, and $61,613 of compensated absences.

Additional details regarding the Library's capital assets and debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Library's budget for the 2025 fiscal year has a Capital Projects Fund and Debt Service Fund for the construction of a new Edwardsburg Branch. The Library is funding this project primarily through the issuance of bonds, sold in August 2024 for $5,110,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES, CONCLUDED

The Edwardsburg Branch has grown significantly in the last five years with circulation, programming, and foot traffic. As the Edwardsburg region of the County grows, so do the needs of the library patrons. The former 3,295 square foot space of the Church Street location did not fulfill the needs of the growing community.

Cass District Library considered library best practices, sustainability, and community requests when designing the new Edwardsburg Branch. Nearing approximately 9,500 square feet, the new library branch will be almost three times larger than the current building sitting on 5.43 acres of land.

The new branch will have the following public services features which we will see as we move through the building:

○ ADA accessibility standards	Ample parking
○ Café/lounge area	Children's area
○ Drive-up drop box	Family bathroom
○ Fireplace	Large Community Room
○ Makerspace	Private meeting rooms
○ Teen area	Exterior Reading Paths

The new Edwardsburg Branch officially opened on February 27, 2026. In its first day-and-a-half of service, the new location saw over 1,000 users come through our front doors.

The Library's goal is to maintain quality facilities and collections, enhance and diversify public services, and retain and grow a professional staff. With rising costs and limited sources of established revenue, the Library is committed to a conservative and prudent annual budget. The construction of a new branch will not affect established patron services in any way.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Cass District Library, 319 M-62; Cassopolis, Michigan 49031.

Governmental Funds Balance Sheet/Statement of Net Position
December 31, 2025

	Individual Library Major Funds					
	General Fund	Capital Project Fund	Debt Service Fund	Total - Modified Accrual Basis	Adjustments (Note 2)	Library as a Whole Statement of Net Position - Full Accrual Basis
Assets and Deferred Outflows of Resources						
Current Assets						
Cash and cash equivalents	$ 1,609,700	$ 1,282,192	$ -	$ 2,891,892	$ -	$ 2,891,892
Receivables	1,814,576	-	-	1,814,576	-	1,814,576
Beneficial interest in assets held by community foundation	60,849	-	-	60,849	-	60,849
Total Current Assets	$ 3,485,125	$ 1,282,192	$ -	$ 4,767,317	$ -	$ 4,767,317
Noncurrent Assets						
Capital assets - net of accumulated depreciation/amortization	$ -	$ -	$ -	$ -	$ 6,671,471	$ 6,671,471
Total Noncurrent Assets	$ -	$ -	$ -	$ -	$ 6,671,471	$ 6,671,471
Total Assets	$ 3,485,125	$ 1,282,192	$ -	$ 4,767,317	$ 6,671,471	$ 11,438,788
Deferred Outflows of Resources						
Deferred pension amounts	$ -	$ -	$ -	$ -	$ 52,289	$ 52,289
Total Assets and Deferred Outflows of Resources	$ 3,485,125	$ 1,282,192	$ -	$ 4,767,317	$ 6,723,760	$ 11,491,077
Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position						
Liabilities						
Current Liabilities						
Accounts payable	$ 15,384	$ 794,070	$ -	$ 809,454	$ -	$ 809,454
Accrued payroll and other liabilities	19,703	-	-	19,703	-	19,703
Long-term debt, current portion						
Lease liability	-	-	-	-	5,820	5,820
Compensated absences	-	-	-	-	6,161	6,161
Bonds payable (net of premium/discount)	-	-	-	-	94,503	94,503
Total Current Liabilities	$ 35,087	$ 794,070	$ -	$ 829,157	$ 106,484	$ 935,641
Noncurrent Liabilities						
Long-term debt, net current portion						
Lease liability	$ -	$ -	$ -	$ -	$ 3,288	$ 3,288
Compensated absences	-	-	-	-	55,452	55,452
Net pension liability	-	-	-	-	213,094	213,094
Bonds payable (net of premium/discount)	-	-	-	-	4,911,556	4,911,556
Total Noncurrent Liabilities	$ -	$ -	$ -	$ -	$ 5,183,390	$ 5,183,390
Total Liabilities	$ 35,087	$ 794,070	$ -	$ 829,157	$ 5,289,874	$ 6,119,031
Deferred Inflows of Resources						
Taxes levied but intended for subsequent period	$ 1,814,376	$ -	$ -	$ 1,814,376	$ -	$ 1,814,376
Deferred pension amounts	-	-	-	-	113,902	113,902
Total Deferred Inflows of Resources	$ 1,814,376	$ -	$ -	$ 1,814,376	$ 113,902	$ 1,928,278
Fund Balance/Net Position						
Fund Balance:						
Unassigned	$ 1,574,813	$ -	$ -	$ 1,574,813	$ (1,574,813)	$ -
Restricted for capital projects	60,849	488,122	-	548,971	(548,971)	-
Total Fund Balance	$ 1,635,662	$ 488,122	$ -	$ 2,123,784	$ (2,123,784)	$ -
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 3,485,125	$ 1,282,192	$ -	$ 4,767,317		
Net Position						
Net investment in capital assets					$ 2,144,426	$ 2,144,426
Restricted					60,849	60,849
Unrestricted					1,238,493	1,238,493
Total Net Position					$ 3,382,919	$ 3,443,768

The Notes to Financial Statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities
Year Ended December 31, 2025

	Individual Library Major Funds					Library as a Whole
	General Fund	Capital Project Fund	Debt Service Fund	Total - Modified Accrual Basis	Adjustments (Note 2)	Statement of Activities - Full Accrual Basis
Revenues:						
Taxes	$ 1,744,582	$ -	$ -	$ 1,744,582	$ -	$ 1,744,582
State sources	45,110	-	-	45,110	-	45,110
USF grant	61,503	-	-	61,503	-	61,503
Penal fines	113,484	-	-	113,484	-	113,484
Fees and book fines	20,503	-	-	20,503	-	20,503
Investment income	47,108	97,715	-	144,823	-	144,823
Local contributions and other	68,035	-	-	68,035	-	68,035
Total revenues	$ 2,100,325	$ 97,715	$ -	$ 2,198,040	$ -	$ 2,198,040
Expenditures/Expenses:						
Salaries	$ 643,779	$ -	$ -	$ 643,779	$ (1,321)	$ 642,458
Payroll taxes	46,915	-	-	46,915	-	46,915
Employee benefits	165,849	-	-	165,849	(15,623)	150,226
Staff training	1,035	-	-	1,035	-	1,035
Office supplies	20,194	-	-	20,194	-	20,194
Audiovisual, books, and periodicals	137,775	-	-	137,775	(46,727)	91,048
Professional fees	40,008	-	-	40,008	-	40,008
Contractual services	57,251	-	-	57,251	-	57,251
Membership and recruitment	430	-	-	430	-	430
Internet service	35,333	-	-	35,333	-	35,333
Insurance	19,582	-	-	19,582	-	19,582
Processing costs	7,581	-	-	7,581	-	7,581
Travel	3,658	-	-	3,658	-	3,658
Programs	21,268	-	-	21,268	-	21,268
Utilities	82,205	-	-	82,205	-	82,205
Repairs and maintenance	64,835	-	-	64,835	-	64,835
Automation	48,000	-	-	48,000	-	48,000
Depreciation/amortization	-	-	-	-	201,440	201,440
Capital lease payments	12,437	-	-	12,437	(12,437)	-
Capital expenditures/expenses	87,233	3,572,645	-	3,659,878	(3,592,521)	67,357
Debt service						
Principal	-	-	90,000	90,000	(90,000)	-
Interest	-	-	215,700	215,700	-	215,700
Total expenditures/expenses	$ 1,495,368	$ 3,572,645	$ 305,700	$ 5,373,713	$ (3,557,189)	$ 1,816,524
Excess (Deficit) of Revenues Over (Under) Expenditures/Expenses	$ 604,957	$ (3,474,930)	$ (305,700)	$ (3,175,673)	$ 3,557,189	$ 381,516
Other Financing Sources (Uses):						
Transfers In	$ -	$ 606	$ 305,700	$ 306,306	$ -	$ 306,306
Transfers Out	(306,306)	-	-	(306,306)	-	(306,306)
Total Other Financing Sources (Uses)	$ (306,306)	$ 606	$ 305,700	$ -	$ -	$ -
Net Change in Fund Balance/Net Position	$ 298,651	$ (3,474,324)	$ -	(3,175,673)	$ 3,557,189	$ 381,516
Fund Balance/Net Position-Beginning of Year, as previously stated	$ 1,305,862	$ 3,962,446	$ -	$ 5,268,308		$ 3,031,103
Restatement (see Note 15)	31,149	-	-	31,149		31,149
Fund Balance/Net Position-Beginning of Year, as restated	$ 1,337,011	$ 3,962,446	$ -	$ 5,299,457		$ 3,062,252
Fund Balance/Net Position-End of Year	$ 1,635,662	$ 488,122	$ -	$ 2,123,784		$ 3,443,768

The Notes to Financial Statements are an integral part of this statement.

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Cass District Library (the "Library") conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Library is located in the Village of Cassopolis, Michigan and is governed by an eight (8) member board. The Library is primarily funded through a tax levy, fines, fees, and charitable donations. Revenue is used to operate and staff the Library. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board ("GASB") for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service and special financing relationships. The Library is a District Library formed pursuant to the District Library Establishment Act (1989 Public Act 24) by an agreement between the Townships of LaGrange, Howard, Mason, the Village of Edwardsburg, and the County of Cass. Based on the significance of any operational or financial relations with the Library, there are no component units to be included in these financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions should be recognized when the exchange takes place. Revenue is 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 revenue 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.

The Statement of Net Position includes and recognizes all long-term assets and receivables and deferred outflows of resources as well as deferred inflows of resources and long-term debt and obligations. The Library's net position is reported in three parts: net investment in capital assets, restricted net position, and unrestricted net position.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

The Library reports the following major governmental funds:

The **General Fund** is the Library's operating fund. It accounts for all financial resources of the Library that are not accounted for in other funds.

The **Capital Projects Fund** accounts for assets being accumulated for future capital expenditures and other large projects.

The **Debt Service Fund** accounts for the accumulation of principal and interest payments used for debt associated with the Edwardsburg Building bond project.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Cash and Cash Equivalents – The Library classifies all certificates of deposit ("CDs") as cash and cash equivalents regardless of maturity.

Capital Assets – Capital assets are defined by the Library as assets with an estimated useful life in excess of one year that exceed $2,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Right of use assets of the Library are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. Donated capital assets are recorded at estimated fair market value at the date of donation.

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity, Continued

Building improvements, furniture and fixtures, equipment, library books, periodicals, etc., are depreciated using the straight-line method over the following useful lives:

Buildings	20 – 50 years
Building improvement	10 – 20 years
Furniture and fixtures	5 – 10 years
Library books, periodicals, etc.	10 years
Equipment	5 – 10 years
Right of use - leased equipment	5 years

Compensated Absences (Vacation and Sick Leave) – It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

Property Taxes - Properties are assessed as of December 31. The related property taxes are billed and become a lien on December 1st of the following year, at which time the Library recognizes the levy. These taxes are due on February 15th with the final collection date of February 28th. Starting March 1st, they are added to the county tax rolls.

Deferred Outflows of Resources - In addition to assets, the Statement of Net 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. As of December 31, 2025, the Library had one item classified as deferred outflows of resources related to the pension plan.

Deferred Inflows of Resources - In addition to liabilities, the Statement of Net 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 will not be recognized as an inflow of sources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, for long-term receivables. These amounts are deferred and recognized as an inflow of resources in the period that amounts become available. As of December 31, 2025, the Library had one item classified as deferred inflows of resources for taxes levied but intended for a subsequent period and another item classified as deferred inflows of resources related to the pension plan.

Fund Equity – The Library follows GASB Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity, Concluded

Fund Equity, Concluded

The following are definitions for the Library's fund balance classifications:

Non spendable fund balance - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance - includes amounts that can be spent only for specific purposes stipulated by what the external resource provides (for example grant providers, constitutionally, or through enabling legislation). Effectively, restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance - includes amounts that can be used only for specific purposes determined by a formal action of the library's highest level of decision-making authority. Commitments may be changed or lifted only by the library taking the same formal action that imposed the constraint originally.

Assigned fund balance - includes amounts that are constrained by the library's intent to be used for a specific purpose but are neither restricted nor committed.

Unassigned fund balance - is the residual classification for the General Fund. This classification represents governmental fund balances that have not been assigned to other funds or that have not been restricted, committed, or assigned to specific purposes within the respective governmental fund balances.

Fund Equity Flow Assumptions - Sometimes the Library will 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 components of unrestricted fund balance. 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.

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Leases and Subscription Based IT Arrangements ("SBITA") – The Library is a lessee for a noncancelable lease of equipment. The Library recognizes a lease/SBITA liability and an intangible right-of-use lease/SBITA asset in the district-wide financial statements. The Library recognizes lease/SBITA liabilities with an initial, individual value of $15,000 or more.

At the commencement of a lease/SBITAs, the Library initially measures the lease/SBITA liability at the present value of payments expected to be made during the lease/SBITA term. Subsequently, the lease/SBITA liability is reduced by the principal portion of lease/SBITA payments made. The lease/SBITA asset is initially measured as the initial amount of the lease/SBITA liability, adjusted for lease/SBITA payments made at or before the lease/SBITA commencement date, plus certain initial direct costs. Subsequently, the lease/SBITA asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to lease/SBITAs include how the Library determines (1) the discount rate it uses to discount the expected lease/SBITA payments to present value (2) lease term, and (3) lease payments.

- The Library uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Library generally uses its estimated incremental borrowing rate as the discount rate for leases/SBITAs.

- The lease/SBITA term includes the noncancelable period of the lease/SBITA. Lease/SBITA payments included in the measurement of the lease/SBITA liability are composed of fixed payments and purchase option price that the Library is reasonably certain to exercise.

The Library monitors changes in circumstances that would require a remeasurement of its lease/SBITA and will remeasure the lease/SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the lease/SBITA liability.

Right to use assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the Statement of Net Position.

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources 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.

Net Position Flow Assumption - 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 of net position to report as restricted and unrestricted in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED

Pension – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and net 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 are payable in accordance with the benefit terms. Investments are reported at acquisition value.

NOTE 2. RECONCILIATION OF GOVERNMENT – WIDE AND FUND FINANCIAL STATEMENTS

Total fund balances and the net change in fund balances of the Library's governmental funds differ from net position and change in net position of the governmental activities reported in the Statement of Net Position and Statement of Activities. This difference results primarily from the long-term economic focus of the Statement of Net Position and Statement of Activities versus the economic focus of the statement of the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. The following is a reconciliation of fund balance to net position and net change in fund balances to the net change in net position.

Adjustments for Balance Sheet to Statement of Net Position:

Total Fund Balance-Modified Accrual Basis	$ 2,123,784
Amounts reported in the Statement of Net Position are different because:	
Capital assets (net of depreciation) are not financial resources, and are not reported in the Funds	6,671,471
Long-term liabilities are not due and payable in the current period and are not reported in the Funds:	
Capital leases	(9,108)
Bonds payable	(5,020,000)
Unamortized premium on bonds payable	(79,115)
Unamortized discount on bonds payable	93,056
Net pension liability	(213,094)
Compensated absences	(61,613)
Deferred outflows of resources related to pensions are not reported in the Funds	52,289
Deferred inflows of resources related to pensions are not reported in the Funds	(113,902)
Total Net Position-Full Accrual Basis	$ 3,443,768

NOTE 2. RECONCILIATION OF GOVERNMENT – WIDE AND FUND FINANCIAL STATEMENTS, CONCLUDED

Adjustments for Statement of Revenues and Expenditures and Changes in Fund Balance to Statement of Activities:

Net Change in Fund Balance-Modified Accrual Basis	$ (3,175,673)
Amounts reported in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their useful lives as depreciation/amortization.	
Capital outlay	3,639,745
Depreciation/amortization expense	(201,440)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Debt principal payments	90,000
Bond issuance premiums	2,826
Bond issuance discounts	(3,323)
Change in the accrual for long-term compensated absences reported as an expense in the Statement of Activities, but not in the Funds statements	1,321
Change in pension expense and related deferred outflows and inflows of resources	15,623
Repayments of capital lease are reported as an expenditure in the Funds statements, but not in the Statement of Activities (where it reduces long-term debt)	12,437
Change in Net Position of Governmental Activities	$ 381,516

NOTE 3. DEPOSITS AND INVESTMENTS

As of December 31, 2025, the Library had deposits and investments subject to the following risks:

Custodial Credit Risk - Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. As of December 31, 2025, $507,741 of the Library's bank balance of $2,891,892 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was $2,891,892.

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

The Library does not have a policy for interest rate, credit, concentration of credit, or custodial risk relating to investments.

Interest Rate Risk - In accordance with its investment policy, the Library will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Library's cash requirements.

Concentration of Credit Risk - The Library will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Library's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Foreign Currency Risk – The Library is not authorized to invest in investments that have this type of risk.

NOTE 3. DEPOSITS AND INVESTMENTS, CONCLUDED

Fair Value Measurement - The Library is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Library's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The Library utilized the market approach to approximate its value of Level 3 investments. Given a pool of assets whose total is known, the Library can approximate its share of the total pooled investment using rates of return applied to known contribution amounts. The Library used fund statements provided by Michigan Gateway Community Foundation (the "Foundation") that include detail of contributions and withdrawals to adjust the fair value of its assets. The investments are classified as Level 3 since the fund agreements provide for the irrevocable transfer of assets to the Foundation. The following table presents the Library's fair value hierarchy for the Library's investment assets at fair value, as of December 31, 2025:

Assets	Level 1	Level 2	Level 3	Balance at December 31, 2025
Beneficial interest in assets held by community foundation	$ -	$ -	$ 60,849	$ 60,849
Certificates of deposit	-	936,392	-	936,392
	$ -	$ 936,392	$ 60,849	$ 997,241

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following summarizes the categorization of these amounts as of December 31, 2025:

	General Fund	Capital Projects Fund	Total Cash and Cash Equivalents
Cash on hand	$ 450	$ -	$ 450
Bank deposits	672,858	1,295,411	1,968,269
Certificates of deposit	936,392	-	936,392
Total	$ 1,609,700	$ 1,295,411	$ 2,905,111

NOTE 4. BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

The Library has three endowment funds that are administered by the Michigan Gateway Foundation (the "Foundation") for the benefit of the Library. The Foundation is a public charity that is funded through donations by a large number of contributors. The funds consist strictly of donations directed to the Foundation by the Library. The Library has recorded the funds as assets held by the Foundation. This asset has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be received by the Library. Additionally, the Library established an endowment fund with the Foundation for the benefit of the Library and funded from the agency fund donations. The purpose of the fund is to provide support and furtherance of the programs and activities of the Library. The Library does not control these funds, because the Foundation maintains variance power and legal ownership by agreement. Therefore, the Library does not record an asset representing the fair value of the fund at year end. The current value of the fund as of December 31, 2025 was $4,085. The other two are related to the capital fund for $53,831 and third party fund for $7,018 and are on the Library's Balance Sheet and Statement of Net Position as assets held by community foundation for $60,849.

NOTE 5. BUDGET INFORMATION

The annual budget is prepared by the Library Director and adopted by the Library Board of Trustees (the "Board"); subsequent amendments are approved by the Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. There were no encumbrances outstanding at December 31, 2025. During the current year, the budget was amended in a legally permissible manner. The budget statement (statement of revenues, expenditures and changes in fund balance – budget and actual) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of the actual results of operations of the General Fund budget, as adopted by the Board, is available at the Library for inspection.

<u>Excess of Expenditures Over Appropriations in Major Budgeted Funds</u> – P.A. 621 of 1978 Section 18, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets were adopted at the function level. During the year, the Library had expenditures and other financing sources in excess of budgeted amounts in the budget functions as presented in the Budgetary Comparison Schedule (Required Supplementary Information). Funds sufficient to provide for excess expenditures were made available from other functions in the fund, includes revenue variances, and the excess had no impact on the financial results of the Library.

<u>Fund Deficit</u> - As of December 31, 2025, the Library has no accumulated fund balance deficit reported in the General Fund.

<u>Net Position Deficit</u> – As of December 31, 2025, the Library has no accumulated net position deficit.

NOTE 6. CAPITAL ASSETS

Capital asset activity of the Library's governmental activities was as follows:

	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
Assets not being depreciated:				
Land	$ 289,877	$ -	$ -	$ 289,877
Construction in process	1,678,046	3,571,412	-	5,249,458
Subtotal	$ 1,967,923	$ 3,571,412	$ -	$ 5,539,335
Depreciable capital assets:				
Building and improvements	$ 1,488,540	$ -	$ -	$ 1,488,540
Furniture and equipment	274,858	21,606	-	296,464
Right of use - leased equipment	62,184	-	-	62,184
Computer equipment	32,505	-	-	32,505
Vehicles	27,730	-	-	27,730
Books, audiovisual, periodicals	480,791	46,727	(42,904)	484,614
Subtotal	$ 2,366,608	$ 68,333	$ (42,904)	$ 2,392,037
Less: Accumulated Depreciation/Amortization				
Building and improvements	$ (529,836)	$ (99,131)	$ -	$ (628,967)
Furniture and fixtures	(261,329)	(6,180)	-	(267,509)
Right of use - leased equipment	(40,639)	(12,437)	-	(53,076)
Computer equipment	(30,360)	(2,145)	-	(32,505)
Vehicles	(27,730)	-	-	(27,730)
Books, audiovisual, periodicals	(211,471)	(81,547)	42,904	(250,114)
Subtotal	$ (1,101,365)	$ (201,440)	$ 42,904	$ (1,259,901)
Net depreciable capital assets	$ 1,265,243			$ 1,132,136
Net capital assets	$ 3,233,166			$ 6,671,471

Capital assets, including library books, are recorded at cost. Depreciation/amortization expense was $201,440 for the year ended December 31, 2025.

NOTE 7. LONG-TERM DEBT

Long-term debt activity for the year ended December 31, 2025, can be summarized as follows:

	Interest Rate	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
Direct placements and other debt:						
General Obligation Bonds:						
Limited Tax						
Series 2024 limited tax general obligation bonds	4.00% - 5.00%	$ 5,110,000	$ -	$ (90,000)	$ 5,020,000	$ 95,000
Unamortized bond premiums		81,941	-	(2,826)	79,115	2,826
Unamortized bond discounts		(96,379)	3,323	-	(93,056)	(3,323)
Total bonds payable		$ 5,095,562	$ 3,323	$ (92,826)	$ 5,006,059	$ 94,503
Copier Lease		21,545	-	(5,820)	15,725	5,820
Total governmental activities		$ 5,117,107	$ 3,323	$ (98,646)	$ 5,021,784	$ 100,323

Annual debt service requirements to maturity for the above bond obligations are as follows:

	Direct Placements			Other Debt	
Year Ended	Governmental-Type Activities			Governmental-Type Activities	
December 31,	Principal	Interest	Total	Principal	Interest
2026	$ 95,000	$ 211,200	$ 306,200	$ 12,437	$ -
2027	100,000	206,450	306,450	5,820	-
2028	105,000	201,450	306,450	3,288	-
2029	110,000	196,200	306,200	-	-
2030	115,000	190,700	305,700	-	-
2031-2035	660,000	862,000	1,522,000	-	-
2036-2040	810,000	704,800	1,514,800	-	-
2041-2045	985,000	529,600	1,514,600	-	-
2046-2050	1,200,000	316,000	1,516,000	-	-
2051-2053	840,000	68,000	908,000	-	-
Bond premiums	79,115	-	79,115	-	-
Bond discounts	(93,056)	-	(93,056)	-	-
Total	$ 5,006,059	$ 3,486,400	$ 8,492,459	$ 21,545	$ -

NOTE 8. COMPENSATED ABSENCES

Compensated absences for the year ended December 31, 2025 are as follows:

	Beginning Balance	Net Change*	Ending Balance	Due Within One Year
Compensated Absences	$ 62,934	$ (1,321)	$ 61,613	$ 6,161
	$ 62,934	$ (1,321)	$ 61,613	$ 6,161

*Net change due to GASB 101.

NOTE 9. FACILITY LEASE

The Library leases its main facility, located in Cassopolis, from the County of Cass for an annual cost of $1 plus maintenance and repairs.

The Library has a lease with Mason Township that provides furniture and equipment and can be cancelled by either party upon sixth months written notice.

NOTE 10. RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library obtains general liability insurance to cover those risks at a cost it considers to be economically justifiable.

NOTE 11. EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS - MERS

Defined benefit pension plan

General Information about the Pension Plan

Plan Description - The Library's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The Library participates in the Municipal Employees Retirement System ("MERS") of Michigan. MERS is an agent multiple employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits provided – Benefits provided include a plan with a multiplier of 1.50%. Vesting periods are 6 years. Normal retirement age is 60 with early retirement at 50 with 25 years of service or 55 with 15 years of service. Final average compensation is calculated based on 5 years. Member contributions are 2% percent.

Employees covered by benefit terms – At the December 31, 2024 valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to, but not yet receiving benefits	11
Active employees	11
	31

Contributions – The Library is required to contribute amounts at least equal to the actuarially determined rate, as established by MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employer contributions were 8.14% based on annual payroll for open-divisions.

NOTE 11. EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS – MERS, CONTINUED

Net pension liability – The employers' 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.

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

- Inflation 2.5%
- Salary increases 3.0% plus merit and longevity: 3.0% in the long-term
- Investment rate of return of 7.00%, net of investment and administration expense including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.0% long-term wage inflation assumption would be consistent with a price inflation of 3-4%.

Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019.

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

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

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global equity	60.0%	7.00%	4.20%	2.50%	2.70%
Global fixed income	20.0%	4.50%	0.90%	2.50%	0.40%
Private investments	20.0%	9.50%	1.90%	2.50%	1.40%
Total	100.0%		7.00%		4.50%

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 plans 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.

NOTE 11. EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS – MERS, CONTINUED

	Increase/(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Beginning Balance at 12-31-23	$ 1,490,168	$ 1,247,093	$ 243,075
Changes for the Year			
Service cost	33,692	-	33,692
Interest on the total pension liability	105,487	-	105,487
Changes in benefits	-	-	-
Difference between expected and actual experience	(33,789)	-	(33,789)
Changes in assumptions	1,826	-	1,826
Employer contributions	-	37,331	(37,331)
Employee contributions	-	9,835	(9,835)
Net investment income	-	92,789	(92,789)
Benefit payments, including employee refunds	(75,660)	(75,660)	-
Administrative expense	-	(2,758)	2,758
Other changes	-	-	-
Net changes	$ 31,556	$ 61,537	$ (29,981)
Ending Balance at 12-31-24	$ 1,521,724	$ 1,308,630	$ 213,094

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/(asset) would be using a discount rate that is 1% point lower (6.18%) or 1% higher (8.18%) than the current rate.

	1% decrease (6.18%)	Current discount rate (7.18%)	1% increase (8.18%)
		$ 213,094	
Calculated NPL	203,915	-	(169,414)
Change in Net Pension Liability (Asset)	$ 417,009	$ 213,094	$ 43,680

NOTE 11. EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS – MERS, CONCLUDED

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended December 31, 2025, the employer recognized pension expense of $29,429. The employer 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	$ -	$ (8,574)
Differences in assumptions	7,501	-
Excess (Deficit) Investment Returns	-	(105,328)
Contributions subsequent to the measurement date*	44,788	-
Total	$ 52,289	$ (113,902)

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability for the year ending December 31, 2025.

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

Year Ended	
2026	$ (39,279)
2027	(56,635)
2028	(9,655)
2029	(832)
	$ (106,401)

NOTE 12. RECEIVABLES AND PAYABLES

Receivables as of December 31, 2025 for the Library's General Fund consisted of $1,814,576 of taxes receivable for next year's levy.

Payables as of December 31, 2025 for the Library's General Fund consisted of $15,384 of accounts payable and $19,703 of accrued payroll and other liabilities. Payables for the Capital Project Fund was accounts payable/retainage associated with the bond project.

NOTE 13. INTERFUND TRANSFERS

	Transfers Out
Transfers In	General Fund
Capital Project Fund	$ 606
Debt Service Fund	305,700
Total	$ 306,306

The General Fund transferred funds to the Capital Project Fund for capital projects and the Debt Service Fund for principal and interest on debt.

NOTE 14. TAX ABATEMENTS

The Library receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by various municipalities within the Library's authority. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. For the fiscal year ended December 31, 2025, the Library's property tax revenues were reduced by $5,698 under these Industrial Facilities Tax exemptions.

NOTE 15. ADJUSTMENTS TO BEGINNING FUND BALANCES AND NET POSITION

The Library has restated its previously issued December 31, 2024, financial statements for assets held by community foundation. This was not recorded in assets held by community foundation in the prior year. The accompanying financial statements December 31, 2025, have been restated to reflect this correction. At December 31, 2025, fund balance and net position increased by $31,149, as well as assets held by community foundation in the General Fund. The fund balance and net position restatement for December 31, 2025, is as follows:

	General Fund	Capital Projects Fund	Debt Service Fund	Total Modified Basis
Fund Balance as of December 31, 2024, as previously stated	$ 1,305,862	$ 3,962,446	$ -	$ 5,268,308
Adjustment to beginning balance	31,149	-	-	31,149
Fund Balance as of December 31, 2024, as restated	$ 1,337,011	$ 3,962,446	$ -	$ 5,299,457

	Net Position Governmental Activities
Net position as of December 31, 2024, as previously stated	$ 3,031,103
Adjustment to beginning balance	31,149
Net position as of December 31, 2024, as restated	$ 3,062,252

NOTE 16. UPCOMING PRONOUNCEMENTS

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

a. Management's discussion and analysis (MD&A);
   i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
      1) Overview of the Financial Statements,
      2) Financial Summary,
      3) Detailed Analyses,
      4) Significant Capital Asset and Long-Term Financing Activity,
      5) Currently Known Facts, Decisions, or Conditions;
   ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
   iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
b. Unusual or infrequent items;
c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;

NOTE 16. UPCOMING PRONOUNCEMENTS, CONCLUDED

i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
ii. Requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses and defines subsidies;

d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI;

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

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 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 that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

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

In December 2025, the GASB issued Statement No. 105, *Subsequent Events*. This Statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. This Statement also requires the date through which subsequent events have been evaluated to be disclosed.

The Library is currently evaluating the impact this standard will have on the financial statements when adopted during the 2027 fiscal year.

NOTE 17. SUBSEQUENT EVENTS

The Library has evaluated subsequent events through March 18, 2026, the date the financial statements were available to be issued. Other than noted below, no events or transactions occurred during this period which require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
Budgetary Comparison Schedule – General Fund
Year Ended December 31, 2025

	Originally Adopted Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	$ 1,737,212	$ 1,737,212	$ 1,744,582	$ 7,370
State sources	42,000	45,110	45,110	-
USF grant	85,000	42,762	61,503	18,741
Penal fines	125,000	113,484	113,484	-
Fees and book fines	13,450	16,902	20,503	3,601
Investment income	30,000	38,953	47,108	8,155
Local contributions and other	23,027	49,227	68,035	18,808
Total revenues	$ 2,055,689	$ 2,043,650	$ 2,100,325	$ 56,675
Expenditures:				
Salaries	$ 669,688	$ 669,688	$ 643,779	$ 25,909
Payroll taxes	45,000	46,500	46,915	(415)
Employee benefits	151,109	183,700	165,849	17,851
Staff training	12,000	1,500	1,035	465
Office supplies	26,000	25,000	20,194	4,806
Audiovisual, books, and periodicals	180,050	165,850	137,775	28,075
Professional fees	52,000	54,000	40,008	13,992
Contractual services	69,200	69,200	69,688	(488)
Membership and recruitment	750	750	430	320
Internet service	70,000	50,000	35,333	14,667
Insurance	18,000	20,000	19,582	418
Processing costs	14,660	12,960	7,581	5,379
Travel	3,800	3,800	3,658	142
Programs	37,000	27,922	21,268	6,654
Utilities	81,000	81,400	82,205	(805)
Repairs and maintenance	61,000	69,000	64,835	4,165
Automation	48,000	48,000	48,000	-
Capital expenditures	49,000	94,000	87,233	6,767
Total expenditures	$ 1,588,257	$ 1,623,270	$ 1,495,368	$ 127,902
Excess of revenues over expenditures	$ 467,432	$ 420,380	$ 604,957	$ 184,577
Other Financing Sources (Uses):				
Transfers Out	$ (305,700)	$ (305,700)	$ (306,306)	$ 606
Total Other Financing Sources (Uses)	$ (305,700)	$ (305,700)	$ (306,306)	$ 606
Net Change in Fund Balance	$ 161,732	$ 114,680	$ 298,651	$ 183,971
Fund Balance-Beginning of Year, as previously stated	$ 1,305,862	$ 1,305,862	$ 1,305,862	$ -
Restatement (see Note 15)	31,149	31,149	31,149	-
Fund Balance-Beginning of Year, as restated	$ 1,337,011	$ 1,337,011	$ 1,337,011	$ -
Fund Balance-End of Year	$ 1,498,743	$ 1,451,691	$ 1,635,662	$ 183,971

Required Supplementary Information
Schedule of Changes in the Employer's Net Pension Liability and Related Ratios
For the Years Ended December 31st

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	$ 33,692	$ 31,177	$ 29,597	$ 28,367	$ 27,017	$ 28,087	$ 28,375	$ 28,380	$ 27,567	$ 26,720
Interest	105,487	99,556	94,862	86,457	79,495	86,374	81,164	77,197	73,282	67,368
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(33,789)	25,240	5,330	211	28,918	(130,425)	(6,074)	-	-	(4,185)
Changes of assumptions	1,826	12,568	-	55,581	64,708	28,112	-	(18,789)	(16,752)	40,993
Benefit payments including employee refunds	(75,660)	(71,944)	(59,728)	(59,206)	(49,383)	(41,216)	(35,168)	(39,244)	(31,879)	(31,879)
Other	-	-	-	4,174	-	-	-	-	-	-
Net Change in Total Pension Liability	$ 31,556	$ 96,597	$ 70,061	$ 115,584	$ 150,755	$ (29,068)	$ 68,297	$ 47,544	$ 52,218	$ 99,017
Total Pension Liability beginning	$ 1,490,168	$ 1,393,571	$ 1,323,510	$ 1,207,926	$ 1,057,171	$ 1,086,239	$ 1,017,942	$ 970,398	$ 918,180	$ 819,163
Total Pension Liability ending	$ 1,521,724	$ 1,490,168	$ 1,393,571	$ 1,323,510	$ 1,207,926	$ 1,057,171	$ 1,086,239	$ 1,017,942	$ 970,398	$ 918,180
Plan Fiduciary Net Position										
Contributions - employer	$ 37,331	$ 39,734	$ 31,436	$ 25,624	$ 30,646	$ 25,263	$ 24,950	$ 23,038	$ 20,200	$ 17,489
Contributions - employee	9,835	8,963	8,805	9,015	9,009	8,317	8,471	8,155	7,922	7,790
Net Investment income	92,789	126,310	(135,157)	163,722	135,258	126,378	(38,554)	115,006	89,360	(12,108)
Benefit payments including employee refunds	(75,660)	(71,944)	(59,728)	(59,206)	(49,383)	(41,216)	(35,168)	(39,244)	(31,879)	(31,879)
Administrative expense	(2,758)	(2,681)	(2,403)	(1,877)	(2,114)	(2,178)	(1,892)	(1,819)	(1,763)	(1,761)
Net Change in Plan Fiduciary Net Position	$ 61,537	$ 100,382	$ (157,047)	$ 137,278	$ 123,416	$ 116,564	$ (42,193)	$ 105,136	$ 83,840	$ (20,469)
Plan Fiduciary Net Position beginning	$ 1,247,093	$ 1,146,711	$ 1,303,758	$ 1,166,480	$ 1,043,064	$ 926,500	$ 968,693	$ 863,557	$ 779,717	$ 800,186
Plan Fiduciary Net Position ending	$ 1,308,630	$ 1,247,093	$ 1,146,711	$ 1,303,758	$ 1,166,480	$ 1,043,064	$ 926,500	$ 968,693	$ 863,557	$ 779,717
Employer Net Pension Liability (Asset)	$ 213,094	$ 243,075	$ 246,860	$ 19,752	$ 41,446	$ 14,107	$ 159,739	$ 49,249	$ 106,841	$ 138,463
Plan Fiduciary Net Position as a percentage of the Total Pension Liability (Asset)	86.00%	83.69%	82.29%	98.51%	96.57%	98.67%	85.29%	95.16%	88.99%	84.92%
Covered Employee Payroll	$ 458,391	$ 450,528	$ 410,494	$ 437,082	$ 393,267	$ 407,648	$ 407,686	$ 407,753	$ 396,081	$ 389,510
Employer's Net Pension Liability (Asset) as a percentage of covered employee payroll	46.49%	53.95%	60.14%	4.52%	10.54%	3.46%	39.18%	12.08%	26.97%	35.55%

Required Supplementary Information
Schedule of Employer's Contributions
For the Years Ended December 31st

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarial determined contributions	$ 37,331	$ 29,734	$ 31,436	$ 25,624	$ 30,646	$ 25,263	$ 24,950	$ 23,038	$ 20,200	$ 17,489
Contributions in relation to the actuarially determined contribution	37,331	39,734	31,436	25,624	30,646	25,263	24,950	23,038	20,200	17,489
Contribution deficiency (excess)	$ -	$ (10,000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Covered employee payroll	$ 458,391	$ 450,528	$ 410,494	$ 437,082	$ 393,267	$ 407,648	$ 407,686	$ 407,753	$ 396,081	$ 389,510
Contributions as a percentage of covered employee payroll	8.14%	8.82%	7.66%	5.86%	7.79%	6.20%	6.12%	5.65%	5.10%	4.49%

Notes to Schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	16 years
Asset valuation method	5 years smoothed
Inflation	2.5%
Salary increases	3% plus merit and longevity
Investment rate of return	7.00%
Retirement age	Varies depending on plan adoption
Mortality	Pub-2010 and fully generational MP-2019