

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CUNTON TOWNSHIP, MICHIGAN

THE LIBRARY NETWORK

**FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION
September 30, 2025**

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INDEPENDENT AUDITOR'S REPORT

March 18, 2026

Board of Trustees
The Library Network
41365 Vincenti Court
Novi, MI 48375

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The Library Network (TLN), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise The Library Network's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of The Library Network, as of September 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Network and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 10 to the financial statements, in 2025, The Library Network adopted GASB Statement No. 101, *Compensated Absences*. 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 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 Network'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.

Board of Trustees
The Library Network
March 18, 2026
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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 and *Government 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 and *Government 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 Network'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 Network'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 Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-6 and 24 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.

Board of Trustees
The Library Network
March 18, 2026
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Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Library Network's basic financial statements. The other supplemental information section, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information section, as identified in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Respectfully,

BUSS & COMPANY, P.C.



Certified Public Accountants

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**THE LIBRARY NETWORK
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 September 30, 2025**

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

Using this Annual Report

The General Fund is presented on the modified accrual basis of accounting, which is a short-term view that tells us how the member libraries' resources were spent during the year, as well as how much is available for future spending. This information is then adjusted to the full-accrual basis to present a longer-term view of TLN as a whole. This longer-term view uses the full-accrual basis of accounting so that it can measure the true cost of providing services during the current year and whether the member libraries have funded the full cost of providing services.

The General Fund modified-accrual basis financial statements provide detailed information about TLN's current financial resources. This information is important as it demonstrates compliance with various state laws and shows the stewardship of TLN's member revenue.

TLN's full-accrual basis financial statements present information about TLN's total economic resources, including long-lived assets and long-term obligations. This information is important as it recognized the long-term ramifications of decisions made by TLN on an ongoing basis.

Condensed Financial Information

The table below provides key financial information in a condensed format for the current year and prior year.

	2025	2024
Assets		
Current assets	\$ 3,307,741	\$ 3,095,008
Capital assets	400,639	661,089
Total Assets	\$ 3,708,380	\$ 3,756,097
Deferred outflow of resources	\$ 511,850	\$ 619,721
Liabilities		
Current liabilities	\$ 1,141,139	\$ 1,027,434
Noncurrent liabilities	1,916,255	2,359,526
Total Liabilities	\$ 3,057,394	\$ 3,386,960
Deferred inflow of resources	\$ 162,769	\$ 130,824
Net Position		
Net investment in capital assets	\$ 184,008	\$ 307,620
Restricted	650,120	606,408
Unrestricted	165,939	(55,994)
Total Net Position	\$ 1,000,067	\$ 858,034

(Continued)

THE LIBRARY NETWORK
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
 September 30, 2025

Condensed Financial Information (Continued)

	<u>2025</u>	<u>2024</u>
Revenue		
Formula	\$ 2,006,590	\$ 2,275,796
State aid	1,809,927	1,700,203
Other	368,962	391,253
Total Revenue	\$ 4,185,479	\$ 4,367,252
Expenses - Library services	<u>4,043,446</u>	<u>4,042,440</u>
Change in Net Position	<u>\$ 142,033</u>	<u>\$ 324,812</u>

Statement of Net Position - Full Accrual Analysis

Net position at year end totals \$1,000,067. \$650,120 is restricted for shared automation capital reserve and other programs, \$184,008 is invested in capital assets, leaving unrestricted net position of \$165,939. The increase from the prior year is due primarily to a decrease in net pension liability.

The full accrual statement of activities shows an increase in net position of \$142,033. The increase is due primarily to changes related to pension costs and depreciation.

Accounting for the full-accrual basis is described in Note 1 under "Report Presentation."

Modified Accrual Basis Analysis

Accounting for the modified accrual basis is described in Note 1 under "Fund Accounting."

TLN records transactions and ledger detail using the modified accrual basis. The modified accrual basis columns provide detailed information about the Major Funds and Non-major Funds.

TLN's combined fund balance increased by \$115,774 during the current year, compared to a \$340,598 increase in the prior year. The change breakdown is as follows:

	<u>September 30 Balance</u>		<u>Increase</u>
	<u>2024</u>	<u>2025</u>	<u>(Decrease)</u>
General Fund - Overhead	\$ 1,219,754	\$ 1,219,754	\$ -
General Fund - Menu Services	139,547	139,797	250
Shared Automation Capital Reserve	586,212	623,723	37,511
LEAF Fund	20,196	26,397	6,201
Capital Project Fund	304,854	376,666	71,812
Fund Balance	<u>\$ 2,270,563</u>	<u>\$ 2,386,337</u>	<u>\$ 115,774</u>

Note - Detail by department and fund is included in the "Other Supplemental Information" section.

(Continued)

THE LIBRARY NETWORK
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
September 30, 2025

The primary source of revenue in the General Fund is a formula for Menu Services, which represents 51% of total revenue. The Menu Services Departments - Delivery, Acquisitions, Shared Technology Services and Cataloging - are zero budget departments. Any revenue over or under expenditures at year end is included in unearned revenue or receivables - due from member libraries, respectively; or, in the case of Delivery, General Fund - Overhead. State Aid during the year represents 41% of total revenue.

The General Fund pays for all of TLN's services. The most significant are salary and employee benefit expenses of \$2,962,081 which represents 75% of the total operating expenditures.

Budgetary Highlights

As required by State of Michigan law, TLN amended the budget to take into account events during the year. The budgetary comparison schedule is located in the required supplemental information section.

General Fund budget revenue exceeded actual revenue by \$391,206. General Fund budgeted expenditures exceeded actual expenditures by \$391,456. Overall, the General Fund experienced a favorable budget variance of \$250.

Budgets for pass-through revenue and expenditures are usually set very high in order to account for an unknown amount of use by member libraries.

Capital Asset and Debt Administration

At September 30, 2025, TLN had \$400,639 invested in a broad range of capital assets, including building improvements, equipment, and vehicles (see Note 4 to the financial statements).

Defined Benefit Pension Plan

The Municipal Employees Retirement System (MERS) was funded at 87% based on the most current Annual Actuarial Valuation Report compared to 86% funded in the previous report.

MERS actuarial assumptions used in the pension liability calculations are: Inflation 2.5%, Salary Increases 3.00% and Investment Rate of Return 6.93%. During 2024, the smoothed actuarial rate of return was 3.79%. The corresponding amounts for 2023, 2022, 2021 and 2020 were 5.54%, 3.51%, 17.04%, and 8.17%, respectively.

Economic Factors and Next Year's Budget

TLN does not anticipate that its operations or obligations will be significantly impacted by the economy in fiscal year 2025-2026.

Contacting The Library Network's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of TLN's finances and to show TLN's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Director, Steven K. Bowers, at (248) 536-3100.

THE LIBRARY NETWORK
 STATEMENT OF NET POSITION/GOVERNMENTAL FUNDS BALANCE SHEET
 September 30, 2025

	Major Funds			Nonmajor Funds		GASB No. 34 Adjustments (Note 2)	Statement of Net Position - Full Accrual Basis
	General Fund	SAS Capital Reserve Fund	LEAF Fund	Capital Projects Fund - Capital Reserve	Total Modified Accrual Basis		
ASSETS							
Cash and cash equivalents (Note 3)	\$ 1,546,204	\$ 623,723	\$ 26,397	\$ 376,666	\$ 2,572,990	\$ -	\$ 2,572,990
Receivables - Due from other governmental units	490,082	-	-	-	490,082	-	490,082
Inventory	1,467	-	-	-	1,467	-	1,467
Prepaid expenses	243,202	-	-	-	243,202	-	243,202
Capital assets being depreciated/amortized (Note 4)	-	-	-	-	-	400,639	400,639
Total Assets	\$ 2,280,955	\$ 623,723	\$ 26,397	\$ 376,666	\$ 3,307,741	\$ 400,639	\$ 3,708,380
Deferred Outflow of Resources - Pension	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 511,850	\$ 511,850
LIABILITIES							
Accounts payable	\$ 186,515	\$ -	\$ -	\$ -	\$ 186,515	\$ -	\$ 186,515
Accrued wages	359,213	-	-	-	359,213	-	359,213
Advances from member libraries	375,676	-	-	-	375,676	-	375,676
Long-term liabilities (Note 5):							
Due within one year:							
Accumulated employee benefits	-	-	-	-	-	73,957	73,957
Current portion of long-term debt	-	-	-	-	-	145,778	145,778
Due in more than one year:							
Accumulated employee benefits	-	-	-	-	-	221,870	221,870
Long-term debt	-	-	-	-	-	70,853	70,853
Net pension liability	-	-	-	-	-	1,623,532	1,623,532
Total Liabilities	\$ 921,404	\$ -	\$ -	\$ -	\$ 921,404	\$ 2,135,990	\$ 3,057,394
Deferred Inflow of Resources - Pension	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 162,769	\$ 162,769
EQUITY							
Fund Balance:							
Nonspendable:							
Inventory	\$ 1,467	\$ -	\$ -	\$ -	\$ 1,467	\$ (1,467)	\$ -
Prepays	243,202	-	-	-	243,202	(243,202)	-
Restricted for future capital projects and grant projects	-	623,723	26,397	-	650,120	(650,120)	-
Assigned for capital projects	-	-	-	376,666	376,666	(376,666)	-
Unassigned	1,114,882	-	-	-	1,114,882	(1,114,882)	-
Total Fund Balance	\$ 1,359,551	\$ 623,723	\$ 26,397	\$ 376,666	\$ 2,386,337	\$ (2,386,337)	\$ -
Total Liabilities, Deferred Inflow of Resources and Fund Balance	\$ 2,280,955	\$ 623,723	\$ 26,397	\$ 376,666	\$ 3,307,741	\$ (87,578)	\$ -
Net Position:							
Net investment in capital assets						\$ 184,008	\$ 184,008
Restricted						650,120	650,120
Unrestricted						165,939	165,939
Total Net Position						\$ 1,000,067	\$ 1,000,067

See accompanying notes to financial statements.

THE LIBRARY NETWORK
STATEMENT OF ACTIVITIES/GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 Year Ended September 30, 2025

	Major Funds		Nonmajor Funds		Total - Modified Accrual Basis	GASB No. 34 Adjustments (Note 2)	Statement of Activities - Full Accrual Basis
	General Fund	SAS Capital Reserve Fund	LEAF Fund	Capital Projects Fund -Capital Reserve			
Revenues							
Formula revenue - menu services	\$ 2,006,590	\$ -	\$ -	\$ -	\$ 2,006,590	\$ -	\$ 2,006,590
Member reimbursements	-	10,000	-	-	10,000	-	10,000
Cooperative state aid	1,609,067	-	10,000	190,860	1,809,927	-	1,809,927
Grants	-	-	-	-	-	-	-
Other charges for service and miscellaneous	331,451	27,511	-	-	358,962	-	358,962
Total Revenues	\$ 3,947,108	J 37,511	\$ 10,000	J 190,860	\$ 4,185,479	A -	\$ 4,185,479
Expenditures/Expenses							
Salaries and employee benefits	\$ 2,962,081	\$ -	\$ -	\$ -	\$ 2,962,081	\$ (149,871)	\$ 2,812,210
Supplies and miscellaneous	102,268	-	3,799	-	106,067	-	106,067
Contractual services	286,296	-	-	-	286,296	-	286,296
Utilities and telephone	62,769	-	-	-	62,769	-	62,769
Administrative and overhead	94,890	-	-	-	94,890	-	94,890
Repairs and maintenance	284,090	-	-	105,648	389,738	-	389,738
Capital outlay	-	-	-	13,400	13,400	(13,400)	-
Debt service	154,464	-	-	-	154,464	(136,838)	17,626
Depreciation/amortization	-	-	-	-	-	273,850	273,850
Total Expenditures/Expenses	\$ 3,946,858	\$ -	\$ 3,799	J 119,048	\$ 4,069,705	\$ (26,259)	\$ 4,043,446
Revenues over Expenditures	\$ 250	\$ 37,511	\$ 6,201	\$ 71,812	5 115,774	\$ 26,259	\$ 142,033
Other Financing Sources	-	-	-	-	-	-	-
Net Change in Fund Balances/Net Position	\$ 250	\$ 37,511	\$ 6,201	\$ 71,812	\$ 115,774	S 26,259	\$ 142,033
Fund Balances/Net Position - Beginning	1,359,301	586,212	20,196	304,854	2,270,563	(1,412,529)	858,034
Fund Balances/Net Position - Ending	\$ 1,359,551	J 623,723	S 26,397	\$ 376,666	\$ 2,386,337	\$ (1,386,270)	\$ 1,000,067

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
 CERTIFIED PUBLIC ACCOUNTANTS
 CLINTON TOWNSHIP, MICHIGAN

THE LIBRARY NETWORK
 FIDUCIARY FUND
 STATEMENT OF FIDUCIARY NET POSITION
 September 30, 2025

ASSETS

Cash and cash equivalents	<u>\$ 125,696</u>
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Total Assets	<u><u>\$ 125,696</u></u>
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LIABILITIES

Due to member libraries	\$ -
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NET POSITION

Restricted for member libraries	<u>125,696</u>
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Total Net Position	<u><u>\$ 125,696</u></u>
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See accompanying notes to financial statements.

THE LIBRARY NETWORK
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended September 30, 2025

ADDITIONS:	
USF E-Rate Reimbursement	\$ 96,974
Authorize.net Reimbursement	741
Overpayments/Re-deposit	<u>27,278</u>
Total Additions	\$ <u>124,993</u>
DEDUCTIONS:	
Payment of invoices	<u>\$ 140,215</u>
Total Deductions	\$ <u>140,215</u>
CHANGE IN NET POSITION	\$ (15,222)
NET POSITION - BEGINNING OF YEAR	<u>140,918</u>
NET POSITION - END OF YEAR	<u>\$ 125,696</u>

See accompanying notes to financial statements.

THE LIBRARY NETWORK
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies used by The Library Network (TLN).

Reporting Entity

The Library Network was established under the terms of the State of Michigan Public Act 89 of 1977. TLN operates as a library cooperative providing various services to member libraries located in Wayne, Oakland, Livingston, St. Clair, and Washtenaw Counties.

The Library Network is governed by a nine-member board of trustees elected by member libraries. There are no component units to be included in these financial statements.

Accounting and Reporting Principles

The Library Network follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Government Accounting Standards Board.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. The statements also present a schedule reconciling these amounts to the modified accrual based presentation found in the fund-based statements.

Separate financial statements are provided for the fiduciary fund even though it is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fund Accounting

The Library Network accounts for its various activities in several different funds, in order to demonstrate accountability for how we have spent certain resources; separate funds allow us to show the particular expenditures that specific revenues were used for. The various funds utilized by The Library Network are aggregated into two broad fund types:

Governmental Funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, Special Revenue Funds, and the Capital Projects Funds. The Library Network reports the following funds as "major" governmental funds:

- **General Fund**- The General Fund contains the records of the ordinary activities of The Library Network that are not accounted for in another fund. General Fund activities are financed by revenue from services provided to members, cooperative state aid, and other sources.

(Continued)

THE LIBRARY NETWORK
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **The SAS Capital Reserve Fund** - This fund accounts for the operation and maintenance of the shared automation system. The fund is financed by charges to member libraries.

Fiduciary Funds include accounts held in a fiduciary capacity for others. These amounts will not be used to operate our programs. Activities that are reported as fiduciary include:

- **Custodial Fund** - This fund accounts for assets held by TLN as custodian for member libraries.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, The Library Network considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: formula revenue, member reimbursements, and cooperative state aid.

Specific Balances and Transactions

Cash, Cash Equivalents, and Investments - Cash and cash equivalents include cash on hand and demand deposits. Investments are stated at fair value.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include building improvements, equipment, and vehicles, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by The Library Network as assets with an initial individual cost of more than \$5,000 and an estimated useful life of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

(Continued)

THE LIBRARY NETWORK
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 September 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives. Right to use assets are amortized over the shorter of lease period or the estimated useful lives:

<u>Capital Asset Class</u>	<u>Lives</u>
Right to use - building	-
Leasehold improvements	10 years
Equipment	6-10 years
Vehicles	4 years
Right to use - vehicles	-

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position Flow Assumption - Sometimes The Library Network will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the governmental financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is The Library Network's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption - Sometimes The Library Network 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 Network's policy to consider restricted fund balance to have been depleted before using any of the 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.

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 Library Network 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 entity's highest level of decision-making authority. The Library Network Board is the highest level of decision-making authority for the entity that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

(Continued)

THE LIBRARY NETWORK
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts in the assigned fund balance classification are intended to be used by The Library Network for specific purposes but do not meet the criteria to be classified as committed. The Board may 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.

Leases - The Network is a lessee in a number of leases. The Network recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements.

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

Pension Benefit Costs - The Library Network offers pension benefits to retirees. The Library Network receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension costs are recognized as contributions are made. For the government-wide statements, The Library Network reports the full accrual cost.

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

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

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Subsequent Events - Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying Independent Auditor's Report, which is the date the financial statements were available to be issued.

(Continued)

THE LIBRARY NETWORK
NOTES TO FINANCIAL STATEMENTS, CONTINUED
 September 30, 2025

NOTE 2 - RECONCILIATION OF THE LIBRARY NETWORK AS A WHOLE AND THE INDIVIDUAL FUND FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of The Library Network's governmental funds differ from net position and changes in net position of the governmental activities reported in the statement of net position and the statement of activities. The 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 and net change in net position:

Total Fund Balance Modified Accrual Basis	\$ 2,386,337
Amounts reported in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	400,639
Deferred outflow of resources - Employer pension contributions made to the plan after the measurement date	161,200
Deferred outflow of resources - Pension difference between projected and actual investment earnings	350,650
Deferred inflow of resources - Pension difference between projected and actual experience	(153,366)
Deferred outflow of resources - Pension difference related to changes in assumptions	(9,403)
Long-term debt payable over a long period does not represent a claim on current financial resources; therefore, they are not reported as fund liabilities.	(216,631)
Compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(295,827)
Net pension liability	(1,623,532)
Net Position of Governmental Activities	\$ 1,000,067
Net Change in Fund Balances - Modified Accrual Basis	\$ 115,774
Amounts reported in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over the estimated useful lives as depreciation:	
Capital outlay	13,400
Depreciation/amortization expense	(273,850)
Change in deferred outflow/inflow of resources related to pension costs	(139,816)
Principal payments on lease obligations are reported as an expenditure in the fund statements, but not in the statement of activities (where it reduces long-term debt)	136,838
Change in the accrual for long-term compensated absences is reported in the statement of activities but not in the fund financial statements	(31,230)
Change in net pension liability	320,917
Change in Net Position of Governmental Activities	\$ 142,033

(Continued)

THE LIBRARY NETWORK
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 September 30, 2025

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorized 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, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which 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 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 and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Library Network's deposits and investment policies are in accordance with statutory authority.

The Library Network's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, The Library Network's deposits may not be returned to it. The Library Network does not have a deposit policy for custodial credit risk. At year end, The Library Network had \$2,507,023 of bank deposits that were uninsured and uncollateralized. As a result, The Library Network evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Library Network has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>TYPE OF INVESTMENT</u>	<u>FAIR VALUE</u>	<u>RATING</u>	<u>RATING ORGANIZATION</u>
Primary Government			
Investment pools	\$ 2,405,182	AAAm	S&P

(Continued)

THE LIBRARY NETWORK
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 September 30, 2025

NOTE 4 - CAPITAL ASSETS

Capital asset activity of The Library Network was as follows:

GOVERNMENTAL ACTIVITIES	BALANCE			BALANCE
	OCTOBER 1, 2024	ADDITIONS	DISPOSALS	
Capital assets being depreciated/amortized:				
Leasehold improvements	\$ 471,477	\$ 13,400	\$ (8,200)	\$ 476,677
Right to Use-Building	320,839	-	-	320,839
Equipment	928,659	-	-	928,659
Vehicles	43,161	-	-	43,161
Right to Use-Vehicles	<u>263,078</u>	<u>-</u>	<u>-</u>	<u>263,078</u>
Subtotal	<u>\$ 2,027,214</u>	<u>\$ 13,400</u>	<u>\$ (8,200)</u>	<u>\$ 2,032,414</u>
Accumulated depreciation/amortization:				
Leasehold improvements	\$ 370,412	\$ 47,069	\$ (8,200)	\$ 409,281
Right to Use-Building	120,810	70,052	-	190,862
Equipment	743,684	79,153	-	822,837
Vehicles	21,580	10,790	-	32,370
Right to Use-Vehicles	<u>109,639</u>	<u>66,786</u>	<u>-</u>	<u>176,425</u>
Subtotal	<u>\$ 1,366,125</u>	<u>\$ 273,850</u>	<u>\$ (8,200)</u>	<u>\$ 1,631,775</u>
Net Capital Assets	<u>\$ 661,089</u>	<u>\$ (260,450)</u>	<u>\$ -</u>	<u>\$ 400,639</u>

Capital assets are recorded at cost. Depreciation and amortization expense was \$273,850 for the year ended September 30, 2025.

NOTE 5 - LONG-TERM DEBT

Long-term debt activity can be summarized as follows:

GOVERNMENTAL ACTIVITIES	BEGINNING	ADDITIONS	REDUCTIONS	ENDING	DUE WITHIN
	BALANCE			BALANCE	ONE YEAR
Lease liabilities-Building	\$ 200,029	\$ -	\$ (70,052)	\$ 129,977	\$ 73,089
Lease liabilities-Vehicles	153,440	-	(66,786)	86,654	72,689
* Compensated absences	<u>264,597</u>	<u>31,230</u>	<u>-</u>	<u>295,827</u>	<u>73,957</u>
Total	<u>\$ 618,066</u>	<u>\$ 31,230</u>	<u>\$ (136,838)</u>	<u>\$ 512,458</u>	<u>\$ 219,735</u>

*The change in compensated absences is presented as a net change from prior year with no restatement of the previous balance since the implementation of GASB 101 did not have a material impact at the government-wide statements.

(Continued)

THE LIBRARY NETWORK
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 September 30, 2025

NOTE 5 - LONG-TERM DEBT (Continued)

Lease Liabilities - During the 2010 fiscal year, The Library Network entered into a 128 month lease agreement as lessee for the use of administrative office space. The lease has two 36 month renewal options. An initial lease liability was recorded in the amount of \$320,839. As of September 30, 2025, the value of the lease liability was \$129,976. The Library Network is required to make monthly principal and interest payments of \$6,433. The lease has an interest rate of 4.25%. The value of the right-to-use asset as of the end of the current fiscal year was \$320,839 and had accumulated amortization of \$190,863.

During the 2023 fiscal year, The Library Network entered into a four-year lease agreement as lessee for the use of 5 vehicles. An initial lease liability was recorded in the amount of \$263,078. As of September 30, 2025, the value of the lease liability was \$86,653. The Library Network is required to make monthly principal and interest payments of \$6,439. The lease has an interest rate of 8.5%. The value of the right-to-use asset as of the end of the current fiscal year was \$263,078 and had accumulated amortization of \$176,425.

Compensated absences represent the estimated liability to be paid to employees under The Library Network's vacation and sick pay policy. Under The Library Network's policy, employees earn vacation time based on time of service.

The annual requirements to amortize lease liabilities, including interest, exclusive of compensated absences payment as of September 30, 2025, are as follows:

Fiscal Year Ending September 30, 2025	Principle	Interest	Total
2026	145,778	8,688	154,466
2027	70,853	1,397	72,250
2028	-	-	-

NOTE 6 - DEFINED BENEFIT PENSION PLAN

Plan Description - The Library Network's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The Library Network 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 - Retirement benefits for employees are calculated as 2.5 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 55 with 25 years of service. Vesting period is eight years. Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are 2.5 percent, noncompounding.

(Continued)

THE LIBRARY NETWORK
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2025

NOTE 6 - DEFINED BENEFIT PENSION PLAN (Continued)

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	31
Inactive employees entitled to but not yet receiving benefits (including refunds)	28
Active employees	<u>20</u>
	<u>79</u>

Contributions - The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions range from 10.6% to 12.31% based on annual payroll.

Net Pension Liability - The employer's net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

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:

Inflation: 2.5%

Salary increases: 3.00% in the long-term.

Investment rate of return: 6.93%, net of investment and administrative expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 2.5% 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-2021.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2019-2023.

(Continued)

THE LIBRARY NETWORK
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 September 30, 2025

NOTE 6 - DEFINED BENEFIT PENSION PLAN (Continued)

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%	4.66%	0.93%	2.50%	0.43%
Private Investments	20.0%	9.00%	1.80%	2.50%	1.30%
Total	<u>100.0%</u>		<u>6.93%</u>		<u>4.43%</u>

Discount rate - The discount rate used to measure the total pension liability is 6.93% for 2024. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas, for funding purposes, it is net of administrative purposes. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2023	\$ 9,860,046	\$ 7,915,597	\$ 1,944,449
Service cost	\$ 122,285	\$ -	\$ 122,285
Interest	695,052	-	695,052
Difference between expected and actual experience	(306,732)	-	(306,732)
Changes in assumptions	(18,807)	-	(18,807)
Contributions - Employer	-	185,025	(185,025)
Contributions - Employee	-	56,819	(56,819)
Net investment income	-	588,328	(588,328)
Benefit payments, including refunds	(481,603)	(481,603)	-
Administrative expenses	-	(17,457)	17,457
Net Changes	\$ 10,195	\$ 331,112	\$ (320,917)
Balance at December 31, 2024	<u>\$ 9,870,241</u>	<u>\$ 8,246,709</u>	<u>\$ 1,623,532</u>

(Continued)

THE LIBRARY NETWORK
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 September 30, 2025

NOTE 6 - DEFINED BENEFIT PENSION PLAN (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the employer, calculated using the discount rate of 7.18%, as well as what the employer's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.18%) or 1% point higher (8.18%) than the current rate:

	<u>1% Decrease (6.18%)</u>	<u>Current Discount Rate (7.18%)</u>	<u>1% Increase (8.18%)</u>
Net pension liability of the Library	\$ 2,673,390	\$ 1,623,532	\$ 726,483

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended 9/30/2025 the employer recognized pension expense of \$13,275. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Investment returns	\$ 350,650	\$ -
Difference in experience	-	153,366
Changes in assumptions	-	9,403
Contributions subsequent to the measurement date	161,200	-
Total	<u>JL 511,850</u>	<u>\$ 162,769</u>

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

Year Ended	
2026	\$ (10,252)
2027	245,270
2028	(48,459)
2029	<u>1,322</u>
Total	<u>\$ 187,881</u>

(Continued)

THE LIBRARY NETWORK
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2025

NOTE 7 - DEFINED CONTRIBUTION RETIREMENT SAVINGS PLAN

The Library Network has established a 401(a) defined contribution retirement savings for certain employees not eligible to participate in the defined benefit pension plan. The plan allows for employee contributions to the plan of up to 4% of gross wages. The employer has established an employer contribution of 10% of gross wages for eligible employees. During the year ended September 30, 2025, the employer contributions were \$75,210 and the employee contributions were \$24,115.

NOTE 8 - RISK MANAGEMENT

The Library Network 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 Network has purchased commercial insurance for these claims. Settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9 - OPERATING LEASES

On November 1, 2010, The Library Network entered into an agreement to lease its facility under a lease agreement which requires monthly lease payments plus the payment of prepaids, maintenance, taxes, and insurance. The lease expired in July 2021, but has been extended through July 2027.

The Library Network has also entered into operating leases for several vehicles containing various terms.

Future minimum lease payments required under the lease agreements are as follows:

Years Ending September 30	Amount
2026	\$ 154,465
2027	<u>72,025</u>
Total	<u>\$ 226,490</u>

NOTE 10 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended September 30, 2025, The Library Network implemented the following new pronouncement:

GASB Statement No. 101, *Compensated Absences*.

Summary:

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

BUSS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

CUNTON TOWNSHIP, MICHIGAN

REQUIRED SUPPLEMENTAL INFORMATION

THE LIBRARY NETWORK
 REQUIRED SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 Year Ended September 30, 2025

	<u>General Fund Totals</u>			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE:				
Cooperative state aid	\$ 1,614,000	\$ 1,682,000	\$ 1,609,067	\$ (72,933)
Contracts and other	293,000	274,000	331,451	57,451
Formula revenue	5,308,048	5,486,745	5,111,021	(375,724)
Total Revenue	<u>\$ 7,215,048</u>	<u>\$ 7,442,745</u>	<u>\$ 7,051,539</u>	<u>\$ (391,206)</u>
EXPENDITURES:				
Personnel	\$ 2,939,840	\$ 3,030,823	\$ 2,962,081	\$ 68,742
Materials and supplies	1,899,370	1,890,173	1,816,111	74,062
Services	920,832	1,020,293	788,844	231,449
Equipment/Maintenance	1,291,100	1,337,550	1,329,789	7,761
Debt service	155,000	155,000	154,464	536
Contingency	8,906	8,906	-	8,906
Total Expenditures	<u>\$ 7,215,048</u>	<u>\$ 7,442,745</u>	<u>\$ 7,051,289</u>	<u>\$ 391,456</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ 250	\$ 250
OTHER FINANCING SOURCES	-	-	-	-
FUND BALANCE - Beginning of the year	<u>1,353,338</u>	<u>1,353,338</u>	<u>1,353,338</u>	<u>-</u>
FUND BALANCE - End of the year	<u>\$ 1,353,338</u>	<u>\$ 1,353,338</u>	<u>\$ 1,353,588</u>	<u>\$ 250</u>

**THE LIBRARY NETWORK
 NOTE TO BUDGETARY COMPARISON SCHEDULE
 Year Ended September 30, 2025**

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds, except that revenue and expenditures related to "pass-through" transactions have been budgeted gross instead of net. During the current year, the budget was amended in a legally permissible manner.

A reconciliation of the budgetary comparison schedules to the fund-based statement of revenues, expenditures, and changes in fund balance is presented below:

	Total Revenue	Total Expenditures
General Fund:		
Amounts per operating statement	\$ 3,947,108	\$ 3,946,858
Pass-through transactions budgeted as revenue and expenditures	3,104,431	3,104,431
Amounts Per Budget Statement	A <u>7,051,539</u>	\$ <u>7,051,289</u>

Excess of Expenditures Over Appropriations in Budgeted Funds - There were no significant expenditures in excess of budgeting amounts for the year ended September 30, 2025. The unfavorable variance indicated in formula revenue on the schedule relates to pass-through activity and has been eliminated in the operating statement.

THE LIBRARY NETWORK
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY
AND RELATED RATIOS
September 30, 2025

	12/31/2024	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015
Total Pension Liability										
Service cost	\$ 122,285	\$ 124,861	\$ 128,912	\$ 124,003	\$ 132,754	\$ 137,028	\$ 132,453	\$ 125,726	\$ 121,903	\$ 113,056
Interest	695,052	691,026	671,414	672,955	637,090	631,328	616,653	605,862	580,817	543,573
Difference between expected and actual experience	(306,732)	(261,649)	(75,928)	(265,280)	(150,139)	(121,645)	(182,134)	(225,207)	(15,884)	17,655
Changes in assumptions	(18,807)	68,044	-	323,460	291,551	245,337	-	-	-	373,421
Benefit payments including employee refunds	(481,603)	(462,400)	(441,323)	(461,438)	(408,501)	(389,000)	(382,634)	(367,081)	(384,296)	(377,062)
Other	-	1	-	-	(1)	-	(2)	(1)	1	-
Net Change in Total Pension Liability	\$ 10,195	\$ 159,883	\$ 283,075	\$ 393,700	\$ 502,754	\$ 503,048	\$ 184,336	\$ 139,299	\$ 302,541	\$ 670,643
Total Pension Liability - Beginning	9,860,046	9,700,163	9,417,088	9,023,388	8,520,634	8,017,586	7,833,250	7,693,951	7,391,410	6,720,767
Total Pension Liability - Ending	\$ 9,870,241	\$ 9,860,046	\$ 9,700,163	\$ 9,417,088	\$ 9,023,388	\$ 8,520,634	\$ 8,017,586	\$ 7,833,250	\$ 7,693,951	\$ 7,391,410
Plan Fiduciary Net Position										
Contributions • Employer	\$ 185,025	\$ 286,830	\$ 310,329	\$ 294,180	\$ 281,492	\$ 256,879	\$ 254,397	\$ 189,226	\$ 151,170	\$ 127,419
Contributions - Employee	56,819	57,266	62,854	60,726	65,127	63,957	60,560	58,559	56,287	53,242
Net investment income	588,328	804,152	(845,825)	1,021,082	837,531	789,363	(240,743)	726,815	578,507	(79,768)
Benefit payments including employee refunds	(481,603)	(462,400)	(441,323)	(461,438)	(408,501)	(389,000)	(382,634)	(367,081)	(384,296)	(377,062)
Administrative expense	(17,457)	(17,053)	(15,104)	(11,712)	(13,141)	(13,603)	(11,878)	(11,507)	(11,426)	(11,746)
Net Change in Plan Fiduciary Net Position	\$ 331,112	\$ 668,795	\$ (929,069)	\$ 902,838	\$ 762,508	\$ 707,596	\$ (320,298)	\$ 596,012	\$ 390,242	\$ (287,915)
Plan Fiduciary Net Position - Beginning	7,915,597	7,246,802	8,175,871	7,273,032	6,510,524	5,802,928	6,123,226	5,527,214	5,136,972	5,424,887
Plan Fiduciary Net Position - Ending	\$ 8,246,709	\$ 7,915,597	\$ 7,246,802	\$ 8,175,870	\$ 7,273,032	\$ 6,510,524	\$ 5,802,928	\$ 6,123,226	\$ 5,527,214	\$ 5,136,972
Employer Net Pension Liability	\$ 1,623,532	\$ 1,944,449	\$ 2,453,361	\$ 1,241,218	\$ 1,750,356	\$ 2,010,110	\$ 2,214,658	\$ 1,710,024	\$ 2,166,737	\$ 2,254,438
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	84%	80%	75%	87%	81%	76%	72%	78%	72%	69%
Covered Employee Payroll (from GASB 68 actuarial page)	\$ 1,154,664	\$ 1,187,088	\$ 1,170,529	\$ 1,233,611	\$ 1,266,087	\$ 1,325,218	\$ 1,281,590	\$ 1,218,014	\$ 1,186,143	\$ 1,113,998
Employer's Net Pension Liability as a percentage of covered employee payroll	141%	164%	210%	101%	138%	152%	173%	140%	183%	202%

THE LIBRARY NETWORK
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
 September 30, 2024

	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016
Actuarial determined contributions	\$ 193,440	\$ 182,220	\$ 321,681	\$ 283,322	\$ 290,041	\$ 259,873	\$ 272,887	\$ 247,200	\$ 170,375	\$ 148,817
Contributions in relation to the actuarially determined contribution	<u>193,440</u>	<u>182,220</u>	<u>321,681</u>	<u>283,322</u>	<u>290,041</u>	<u>259,873</u>	<u>272,887</u>	<u>247,200</u>	<u>170,375</u>	<u>148,817</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 1,183,551	\$ 1,180,192	\$ 1,203,670	\$ 1,298,794	\$ 1,276,986	\$ 1,307,127	\$ 1,301,609	\$ 1,249,477	\$ 1,216,773	\$ 1,206,093
Contributions as a percentage of covered employee payroll	16%	15%	27%	22%	23%	20%	21%	20%	14%	12%

THE LIBRARY NETWORK
NOTE TO REQUIRED SUPPLEMENTAL INFORMATION
Year Ended September 30, 2025

DEFINED BENEFIT PENSION PLAN

Changes of benefit terms - There were no changes of benefit terms during plan year 2024.

Changes in assumptions - September 30, 2020 - The beginning of the year total pension liability was based on a single discount rate of 8.00 percent, and the end of year total pension liability was based on a single discount rate of 7.60 percent.

September 30, 2021 - The beginning of year total pension liability was based on the RP-2014 mortality tables, and the end of year total pension liability was based on the Pub-2010 mortality tables.

September 30, 2022 - The beginning of year total pension liability was based on a single discount rate of 7.60 percent, and the end of year total pension liability was based on a single discount rate of 7.25 percent.

September 30, 2024 - The beginning of year total pension liability was based on a single discount rate of 7.25 percent, and the end of year total pension liability was based on a single discount rate of 7.18 percent.

BUSS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
CUNTON TOWNSHIP, MICHIGAN

OTHER SUPPLEMENTAL INFORMATION

THE LIBRARY NETWORK
 OTHER SUPPLEMENTAL INFORMATION
 GENERAL FUND - BUDGET TO ACTUAL
 Year Ended September 30, 2025

	Overhead			Menu Services			Pass-Through			General Fund Totals		
	Final		Variance	Final		Variance	Final		Variance	Final		Variance
	Budget	Actual	(Unfavorable)	Budget	Actual	(Unfavorable)	Budget	Actual	(Unfavorable)	Budget	Actual	(Unfavorable)
REVENUE:												
Cooperative state aid	\$ 363,000	\$ 359,417	\$ (3,583)	\$ 1,319,000	\$ 1,249,650	\$ (69,350)	-	-	-	\$ 1,682,000	\$ 1,609,067	\$ (72,933)
Interest income	81,000	81,047	47	-	-	-	-	-	-	81,000	81,047	47
Contracts	-	-	-	10,000	10,000	-	-	-	-	10,000	10,000	-
Earned income	-	-	-	182,000	236,006	54,006	-	-	-	182,000	236,006	54,006
Miscellaneous revenue	1,000	4,398	3,398	-	-	-	-	-	-	1,000	4,398	3,398
Formula revenue	-	-	-	2,130,048	2,006,590	(123,458)	2,831,697	2,693,431	(138,266)	4,961,745	4,700,021	(261,724)
Formula telecommunication	-	-	-	-	-	-	525,000	411,000	(114,000)	525,000	411,000	(114,000)
Total Revenue	\$ 445,000	\$ 444,862	\$ (138)	\$ 3,641,048	\$ 3,502,246	\$ (138,802)	\$ 3,356,697	\$ 3,104,431	\$ (252,266)	\$ 7,442,745	\$ 7,051,539	\$ (391,206)
EXPENDITURES:												
Salaries and employee benefits	\$ 944,853	\$ 941,392	\$ 3,461	\$ 2,052,095	\$ 2,020,689	\$ 31,406	\$ -	\$ -	\$ -	\$ 2,996,948	\$ 2,962,081	\$ 34,867
Books and materials	3,300	3,816	(516)	4,520	3,621	899	1,750,803	1,709,264	41,539	1,758,623	1,716,701	41,922
Supplies and miscellaneous	23,200	18,454	4,746	83,350	76,377	6,973	25,000	4,579	20,421	131,550	99,410	32,140
Utilities and telephone	40,520	38,871	1,649	24,940	23,898	1,042	525,000	411,000	114,000	590,460	473,769	116,691
Equipment maintenance	31,600	30,783	817	259,850	253,307	6,543	-	-	-	291,450	284,090	7,360
Contractual services	132,310	120,843	11,467	166,062	165,453	609	155,894	28,779	127,115	454,266	315,075	139,191
Other costs	94,348	60,853	33,495	70,635	34,037	36,598	900,000	950,809	(50,809)	1,064,983	1,045,699	19,284
Debt service - principal	70,052	70,052	-	66,786	66,786	-	-	-	-	136,838	136,838	-
Debt service - interest	7,146	7,146	-	10,480	10,480	-	-	-	-	17,626	17,626	-
Overhead	(902,329)	(847,348)	(54,981)	902,330	847,348	54,982	-	-	-	1	-	1
Total Expenditures	\$ 445,000	\$ 444,862	\$ 138	\$ 3,641,048	\$ 3,501,996	\$ 139,052	\$ 3,356,697	\$ 3,104,431	\$ 252,266	\$ 7,442,745	\$ 7,051,289	\$ 391,456
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ 250	\$ 250	\$ -	\$ -	\$ -	\$ -	\$ 250	\$ 250
OTHER FINANCING SOURCES												
FUND BALANCES - OCTOBER 1, 2024		1,219,754			139,547						1,359,301	
RESIDUAL EQUITY TRANSFER												
FUND BALANCES - SEPTEMBER 30, 2025		\$ 1,219,754			\$ 139,797			J -			\$ 1,359,551	

THE LIBRARY NETWORK
 OTHER SUPPLEMENTAL INFORMATION
 SAS CAPITAL RESERVE FUND - BUDGET TO ACTUAL
 Year Ended September 30, 2025

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE:				
Reimbursements from members	\$ 50,000	\$ 10,000	\$ 10,000	\$ -
Interest	-	27,000	27,511	511
Total Revenue	\$ 50,000	\$ 37,000	\$ 37,511	\$ 511
EXPENDITURES:				
Books and materials	\$ -	\$ -	\$ -	\$ -
Equipment maintenance	50,000	45,000	-	45,000
Contractual services	50,000	50,000	-	50,000
Total Expenditures	\$ 100,000	\$ 95,000	\$ -	\$ 95,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (50,000)	\$ (58,000)	\$ 37,511	\$ 95,511
FUND BALANCE - OCTOBER 1, 2024			<u>586,212</u>	
FUND BALANCE - SEPTEMBER 30, 2025			<u>\$ 623,723</u>	

THE LIBRARY NETWORK
 OTHER SUPPLEMENTAL INFORMATION
 LEAF FUND - BUDGET TO ACTUAL
 Year Ended September 30, 2025

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUE:</u>				
Cooperative state aid	\$ 10,000	\$ 10,000	10,000	\$ -
Total Revenue	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
<u>EXPENDITURES:</u>				
Books and materials	\$ -	\$ -	\$ -	\$ -
Other costs	10,000	10,000	3,799	6,201
Total Expenditures	\$ 10,000	\$ 10,000	\$ 3,799	\$ 6,201
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ -	\$ 6,201	\$ 6,201
FUND BALANCE - OCTOBER 1, 2024			20,196	
FUND BALANCE - SEPTEMBER 30, 2025			<u>L 26,397</u>	

**THE LIBRARY NETWORK
 OTHER SUPPLEMENTAL INFORMATION
 CAPITAL RESERVE FUND- BUDGET TO ACTUAL
 Year Ended September 30, 2025**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE:				
Cooperative State Aid	<u>\$ 166,000</u>	<u>\$ 117,000</u>	<u>190,860</u>	<u>\$ 73,860</u>
Total Revenue	<u>\$ 166,000</u>	<u>\$ 117,000</u>	<u>\$ 190,860</u>	<u>\$ 73,860</u>
EXPENDITURES:				
Books and materials	\$ -	\$ -	\$ -	\$ -
Equipment purchase	25,000	120,000	119,048	952
			<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 25,000</u>	<u>\$ 120,000</u>	<u>\$ 119,048</u>	<u>\$ 952</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u><u>\$ 141,000</u></u>	<u><u>\$ (3,000)</u></u>	\$ 71,812	<u><u>\$ 74,812</u></u>
FUND BALANCE - OCTOBER 1, 2024			<u>304,854</u>	
FUND BALANCE - SEPTEMBER 30, 2025			<u><u>\$ 376,666</u></u>	

THE LIBRARY NETWORK
 OTHER SUPPLEMENTAL INFORMATION
 MENU SERVICES
 Year Ended September 30, 2025

	<u>Delivery</u>	<u>Acquisitions</u>	<u>SAS</u>	<u>Cataloging</u>	<u>Total</u>
REVENUE:					
Cooperative state aid	\$ 1,125,650	\$ 74,000	\$ 50,000	\$ -	\$ 1,249,650
Contracts	-	-	10,000	-	10,000
Earned income	-	11,487	224,519	-	236,006
Miscellaneous revenue	-	-	-	-	-
Formula revenue	207,603	80,960	1,220,371	497,656	2,006,590
Total Revenue	\$ 1,333,253	\$ 166,447	\$ 1,504,890	\$ 497,656	\$ 3,502,246
EXPENDITURES:					
Salaries and employee benefits	\$ 669,548	\$ 107,586	\$ 947,663	\$ 295,892	\$ 2,020,689
Books and materials	707	785	421	1,708	3,621
Supplies and miscellaneous	56,998	422	18,772	185	76,377
Utilities and telephone	3,034	-	20,864	-	23,898
Equipment maintenance	26,682	-	226,625	-	253,307
Contractual services	29,363	6,948	28,180	100,962	165,453
Other costs	33,101	39	789	108	34,037
Debt service - principal	66,786	-	-	-	66,786
Debt service - interest	10,480	-	-	-	10,480
Overhead	436,554	50,417	261,576	98,801	847,348
Total Expenditures	\$ 1,333,253	\$ 166,197	\$ 1,504,890	\$ 497,656	\$ 3,501,996
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ 250	\$ -	\$ -	\$ 250
OTHER FINANCING USES - Transfers out	-	-	-	-	-
FUND BALANCES - OCTOBER 1, 2024	-	9,547	105,000	25,000	139,547
FUND BALANCES - SEPTEMBER 30, 2025 (Attributable to Menu Services)	\$ -	\$ 9,797	\$ 105,000	\$ 25,000	\$ 139,797

THE LIBRARY NETWORK
OTHER SUPPLEMENTAL INFORMATION
SCHEDULE OF GENERAL FUND UNEARNED REVENUE - MENU SERVICES
Year Ended September 30, 2025

	SAS	Bibliographic	Total
BALANCE - OCTOBER 1, 2024	\$ 148,978	\$ 73,902	\$ 222,880
CURRENT YEAR (DECREASE) INCREASE			
Transfer of deferred revenue to Formula Revenue	96,061	(18,301)	77,760
Ending balance transfer	-	-	-
BALANCE - SEPTEMBER 30, 2025	<u>\$ 245,039</u>	<u>\$ 55,601</u>	<u>\$ 300,640</u>