



LAKELAND LIBRARY
COOPERATIVE
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**LAKELAND LIBRARY COOPERATIVE
KENT COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2025**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lakeland Library Cooperative
Grand Rapids, Michigan

Report on the Audit of the Financial Statements***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of the Lakeland Library Cooperative (the "Cooperative") as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Cooperative'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 Cooperative, 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 Cooperative 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.

Implementation of GASB Statement No. 101

As discussed in Note 9 to the financial statements, in 2025 the Cooperative adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. This statement establishes recognition and measurement guidance for compensated absences. The adoption of this standard did not result in a restatement of prior period balances. 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 Cooperative's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 Cooperative'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 Cooperative's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, required budget schedules, and required pension schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2026, on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control over financial reporting and compliance.



Gabridge & Company, PLC
Grand Rapids, Michigan
March 23, 2026

Management's Discussion and Analysis

Lakeland Library Cooperative Management's Discussion and Analysis September 30, 2025

As management of the Lakeland Library Cooperative (the "Cooperative"), we offer readers of the Cooperative's financial statements this narrative overview and analysis of the financial activities of the Cooperative for the fiscal year ended September 30, 2025. We encourage readers to consider the information presented here in conjunction with the financial statements, which can be found in this report.

Financial Highlights

- The assets and deferred outflows of resources of the Cooperative exceeded its liabilities and deferred inflows of resources at the close of this fiscal year by \$1,364,788 (shown as *net position*), representing an increase of \$32,966 over the previous fiscal year. Of this amount, \$1,049,384 (*unrestricted net position*) may be used to meet the Cooperative's ongoing obligations.
- During the year, the Cooperative received \$1,785,880 in revenues and incurred \$1,752,914 in expenses, resulting in an increase in net position of \$32,966.
- The general fund increased its fund balance by \$3,740 during the year for an ending fund balance of \$979,424.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$860,403 or 53.7% of the general fund's total expenditures and transfers out.

Overview of the Financial Statements

The Cooperative's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide a broad overview of the Cooperative's financial position. They are presented using a method of accounting that is similar to a private sector business.

The *statement of net position* presents information on all of the Cooperative's assets, deferred outflows and inflows of resources, and liabilities, with the difference being reported as net position. Over time, increases or decreases in net position can serve as a useful indicator of whether the financial position of the Cooperative is improving or deteriorating.

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

flows in future fiscal periods (e.g., earned but unused vacation leave and depreciation of capital assets).

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The Cooperative uses fund accounting to ensure compliance with finance-related legal requirements.

Governmental Funds. The Cooperative's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide statements. These items are recorded in the government fund balance as expenditures. No depreciation is recorded on capital items. The balance sheet for governmental funds does not include any capital items or long-term debt. The General, Library Services, and Capital Projects funds of the Cooperative are reported as governmental funds.

The Cooperative adopts an annual appropriated budget for its General and Library Services funds. A budgetary comparison schedule has been provided for both funds to demonstrate compliance with its budget.

Notes to the Financial Statements. The notes to the financial statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report further presents required supplementary information (RSI) that explains the information presented in the financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of overall financial position. In the case of the Cooperative, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,364,788 at the close of the most recent fiscal year. The following table illustrates the varying results of the governmental activities that combine to capture the Cooperative's total net position.

Lakeland Library Cooperative's Net Position

ASSETS	2025	2024
<i>Current Assets</i>		
Cash and Investments	\$ 1,020,367	\$ 973,593
Accounts Receivable, Net	11,178	12,214
Prepays	119,021	93,634
<i>Total Current Assets</i>	1,150,566	1,079,441
<i>Noncurrent Assets</i>		
Capital Assets not Being Depreciated	76,518	76,518
Capital Assets Being Depreciated, net	353,439	431,849
<i>Total Assets</i>	1,580,523	1,587,808
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	121,784	118,623
<i>Total Deferred Outflows of Resources</i>	121,784	118,623
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	82,767	38,129
Payroll Liabilities	43,505	38,866
Current Portion of Compensated Absences	32,554	31,617
Current Portion of Long-term Debt	114,553	107,610
<i>Total Current Liabilities</i>	273,379	216,222
<i>Noncurrent Liabilities</i>		
Net Pension Liability	39,834	40,743
Compensated Absences	4,296	3,091
Long-term Debt	-	114,553
<i>Total Liabilities</i>	317,509	374,609
DEFERRED INFLOWS OF RESOURCES		
Pension Related	20,010	-
<i>Total Deferred Inflows of Resources</i>	20,010	-
NET POSITION		
Net Investment in Capital Assets	315,404	286,204
<i>Unrestricted</i>	1,049,384	1,045,618
<i>Total Net Position</i>	\$ 1,364,788	\$ 1,331,822

A portion of the Cooperative's net position (\$315,404, or 23.1%) reflects its investment in capital assets (e.g., land, buildings and improvements, equipment, furniture, vehicles, infrastructure, and intangible right-to-use software arrangements). The Cooperative uses these capital assets to provide a variety of services to its members. Accordingly, these assets are not available for future spending.. The remaining balance of \$1,049,384, or 76.9%, is unrestricted and may be used to meet the Cooperative's ongoing obligations to its creditors.

Cash and investments increased by \$46,774 due mostly to an increase in governmental funds fund balance of \$21,848 and the increase in accounts payable of \$44,638. Capital assets being depreciated decreased by \$78,410 as depreciation was in excess of current year capital additions. Prepaids and accounts payable increased by \$25,387 and \$44,638 respectively, each due to the timing of payment for services already rendered and future expenses. As the subscription based information technology agreement (“SBITA”) is coming to an end, all of the remaining balance owed for the agreement is considered a current liability of \$114,553 and none of this amount is considered long-term. Actuarial results for the year yielded a relatively small decrease in net pension liability and recognition of deferred inflows relating mostly to differences between expected and actual experience.

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$32,966 from the prior fiscal year for an ending balance of \$1,364,788.

Lakeland Library Cooperative's Changes in Net Position

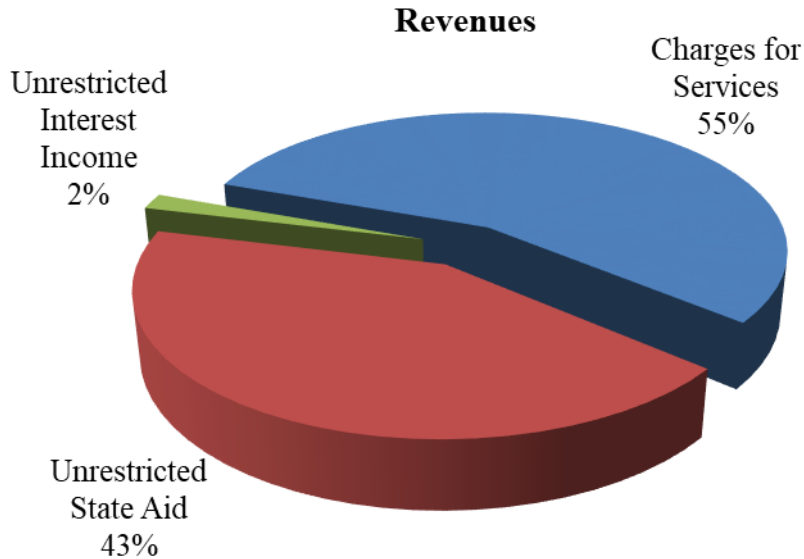
Revenues	2025	2024
Program Revenues		
Charges for Services	\$ 991,746	\$ 979,850
Total Program Revenues	<u>991,746</u>	<u>979,850</u>
General Revenues		
Unrestricted State Aid	762,761	716,519
Unrestricted Interest Income	31,373	36,427
Total Revenues	<u>1,785,880</u>	<u>1,732,796</u>
Expenses		
Administration	617,908	548,432
Delivery Service	263,937	268,647
Cataloging	255,232	239,763
Information Technology	78,825	207,518
Integrated Library System	374,362	304,325
Pass Through	155,990	157,661
Interest on Long-term Debt	6,660	9,696
Total Expenses	<u>1,752,914</u>	<u>1,736,042</u>
Change in Net Position	32,966	(3,246)
<i>Net Position at Beginning of Period</i>	<u>1,331,822</u>	<u>1,335,068</u>
Net Position at End of Period	<u>\$ 1,364,788</u>	<u>\$ 1,331,822</u>

Charges for service revenues remained relatively consistent year over year. Unrestricted state aid increased \$46,242; increases and decreases to State aid are driven primarily by the State budget and also penal fines which both can fluctuate year to year. Administrative expenses increased by \$69,476 from the previous year being driven mostly adjustments from pension valuation activity, increased legal costs, and general inflationary cost increases. Information technology costs

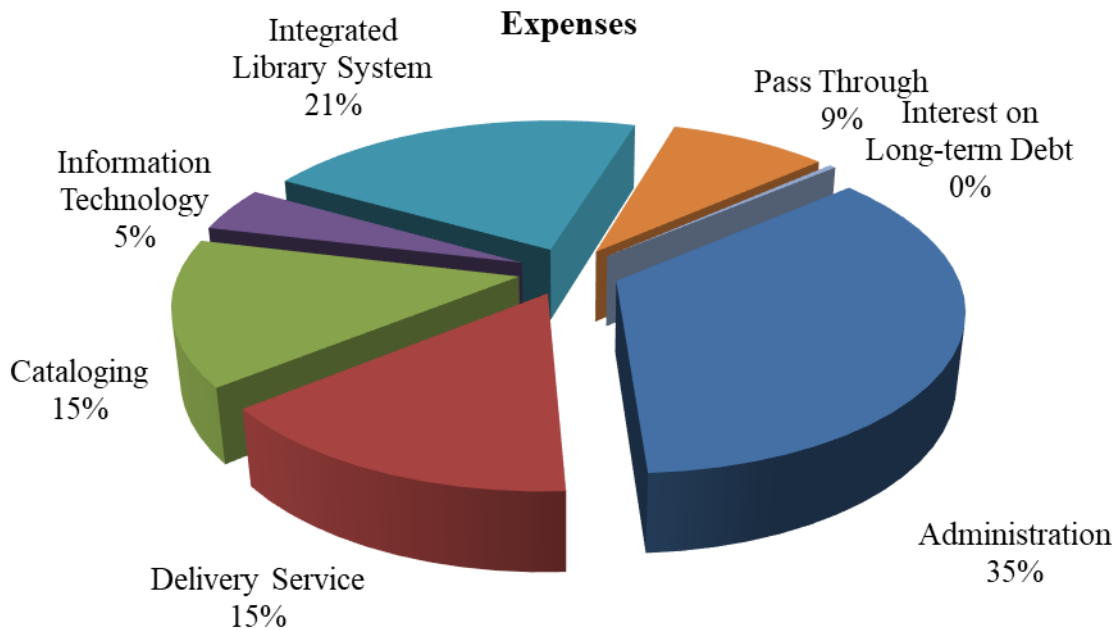
decreased by \$128,693 from fiscal year 2024 as the previous year had more non capital information technology expenses and relied more on consulting in the current year as less wages were allocated to this function. There were increased maintenance costs for the integrated library system during fiscal year 2025 which was a core driver for the \$70,037 increase from 2024.

Governmental Activities

The following chart summarizes the revenue sources of the Cooperative for the most recent fiscal year-end:



The following chart summarizes the expenses of the Cooperative for the most recent fiscal year-end:



Financial Analysis of the Government's Funds

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

The General Fund reported total fund balance of \$979,424. Of this amount \$860,403, or 87.8%, is unassigned. This is an increase in fund balance of \$3,740 from the previous year. This is a relatively minimal change in fund balance. A transfer of \$53,912 was made to the capital improvement fund to assist with capital projects.

The Library Services Fund reported pass through revenues and expenditures of \$155,990 resulting in a fund balance of \$0, which is the same as the prior year results.

The Capital Projects Fund increased by \$18,108 for an ending fund balance of \$44,870. Its majority source of revenue was a transfer from the general fund; the other significant revenue source was a portion of the shared system options revenues being allocated to this fund as a charge for services of \$20,500.

General Fund Budgetary Highlights

Original budget compared to final budget. There were no significant amendments to the original estimated revenues. Amendments to the original budgeted appropriations were made to more accurately allocate costs and resulted in estimations of less revenues and expenditures to the fund.

Final budget compared to actual results. The Cooperative's general fund had no expenditures in excess of the amounts appropriated for the year ended September 30, 2025.

Capital Asset and Debt Administration

Capital Assets The Cooperative's investment in capital assets at year-end amounted to \$429,957 (net of accumulated depreciation). This amount complies with methods established by the Governmental Accounting Standards Board (GASB) for implementation of GASB Statement 34. More information on the Cooperative's capital assets is available in Note 5 of the Notes to the Financial Statements section of this document.

Long-term Debt At the end of the current fiscal year, the Cooperative had \$114,553 of long-term debt outstanding (all of which is considered current liability), exclusive of compensated absences. Detailed information on the Cooperative's long-term obligations, including compensated absences, is available in Note 6 of the Notes to the Financial Statements section of this document.

Economic Factors and Next Year's Budgets and Rates

Management estimates consistent revenues to be available for appropriation in the general fund in the upcoming budget. The Cooperative continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2026, the Cooperative plans again to use current revenues to

provide essential services and to maintain the Cooperative's financial reserves at similar levels. The ongoing costs of providing essential services for the members of the Cooperative will again need to be monitored in order to maintain the financial condition of the Cooperative.

Requests for Information

This financial report is designed to provide the wide variety of users of this document with a general overview of the Cooperative's finances and demonstrate the Cooperative's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to the Lakeland Library Cooperative's Director:

Lakeland Library Cooperative
4138 3 Mile Road NW
Grand Rapids, MI 49534-1134

Basic Financial Statements

**Lakeland Library Cooperative
Statement of Net Position
September 30, 2025**

ASSETS	
<i>Current Assets</i>	
Cash and Investments	\$ 1,020,367
Accounts Receivable, Net	11,178
Prepays	119,021
Total Current Assets	1,150,566
<i>Noncurrent Assets</i>	
Capital Assets not Being Depreciated	76,518
Capital Assets Being Depreciated, Net	353,439
Total Assets	1,580,523
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related	121,784
Total Deferred Outflows of Resources	121,784
LIABILITIES	
<i>Current Liabilities</i>	
Accounts Payable	76,187
Due to Member Libraries	6,580
Payroll Liabilities	43,505
Compensated Absences, Current	32,554
Current Portion of Long-term Debt	114,553
Total Current Liabilities	273,379
<i>Noncurrent Liabilities</i>	
Net Pension Liability	39,834
Compensated Absences, Long-term	4,296
Total Liabilities	317,509
DEFERRED INFLOWS OF RESOURCES	
Pension Related	20,010
Total Deferred Inflows of Resources	20,010
NET POSITION	
Net Investment in Capital Assets	315,404
<i>Unrestricted</i>	1,049,384
Total Net Position	\$ 1,364,788

The Notes to the Financial Statements are an integral part of these Financial Statements

**Lakeland Library Cooperative
Statement of Activities
For the Year Ended September 30, 2025**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Administration	\$ 617,908	\$ 138,675	\$ --	\$ --	\$ (479,233)
Delivery Service	263,937	118,309	--	--	(145,628)
Cataloging	255,232	--	--	--	(255,232)
Information Technology	78,825	578,772	--	--	499,947
Integrated Library System	374,362	--	--	--	(374,362)
Pass Through	155,990	155,990	--	--	--
Interest on Long-term Debt	6,660	--	--	--	(6,660)
Total	\$ 1,752,914	\$ 991,746	\$ --	\$ --	\$ (761,168)

General Purpose Revenues:

Unrestricted State Aid	762,761
Unrestricted Interest Income	31,373
Total General Revenues	794,134
Change in Net Position	32,966
<i>Net Position at Beginning of Period</i>	<i>1,331,822</i>
Net Position at End of Period	\$ 1,364,788

The Notes to the Financial Statements are an integral part of these Financial Statements

**Lakeland Library Cooperative
Balance Sheet
Governmental Funds
September 30, 2025**

	<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Library Services</u>	<u>Capital Projects</u>	
ASSETS				
Cash and Investments	\$ 846,765	\$ 35,402	\$ 138,200	\$ 1,020,367
Accounts Receivable, Net	--	11,178	--	11,178
Prepays	119,021	--	--	119,021
Due from Other Funds	74,429	--	--	74,429
Total Assets	<u>\$ 1,040,215</u>	<u>\$ 46,580</u>	<u>\$ 138,200</u>	<u>\$ 1,224,995</u>
LIABILITIES				
Accounts Payable	\$ 17,286	\$ --	\$ 58,901	\$ 76,187
Due to Member Libraries	--	6,580	--	6,580
Payroll Liabilities	43,505	--	--	43,505
Due to Other Funds	--	40,000	34,429	74,429
Total Liabilities	<u>60,791</u>	<u>46,580</u>	<u>93,330</u>	<u>200,701</u>
FUND BALANCE				
Nonspendable	119,021	--	--	119,021
Assigned	--	--	44,870	44,870
Unassigned	860,403	--	--	860,403
Total Fund Balance	<u>979,424</u>	<u>--</u>	<u>44,870</u>	<u>1,024,294</u>
Total Liabilities and Fund Balance	<u>\$ 1,040,215</u>	<u>\$ 46,580</u>	<u>\$ 138,200</u>	<u>\$ 1,224,995</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Lakeland Library Cooperative
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2025

Total Fund Balance - Governmental Funds	\$	1,024,294
General government capital assets of \$2,373,434, net of accumulated depreciation of \$1,943,477, are not financial resources, and accordingly are not reported in the funds.		429,957
Compensated absences are not due in and payable in the current period, and therefore, are not reported in the funds.		(36,850)
The net pension liability and related deferred items are not paid from current financial resources and, therefore, are excluded from the fund financial statements but are included as a liability and deferred items in the government-wide financial statements.		61,940
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(114,553)
Total Net Position - Governmental Activities	\$	<u>1,364,788</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Lakeland Library Cooperative
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended September 30, 2025

	<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Library Services</u>	<u>Capital Projects</u>	
Revenues				
Charges for Services	\$ 815,256	\$ --	\$ 20,500	\$ 835,756
Unrestricted State Aid	762,761	--	--	762,761
Unrestricted Interest Income	28,776	--	2,597	31,373
Pass Through	--	155,990	--	155,990
Total Revenues	<u>1,606,793</u>	<u>155,990</u>	<u>23,097</u>	<u>1,785,880</u>
Expenditures				
Administration	464,382	--	--	464,382
Delivery Service	263,937	--	--	263,937
Cataloging	255,232	--	--	255,232
Information Technology	76,958	--	--	76,958
Integrated Library System	374,362	--	--	374,362
Capital Outlay	--	--	58,901	58,901
Pass Through	--	155,990	--	155,990
Debt Service - Principal	107,610	--	--	107,610
Debt Service - Interest	6,660	--	--	6,660
Total Expenditures	<u>1,549,141</u>	<u>155,990</u>	<u>58,901</u>	<u>1,764,032</u>
Excess of Revenues Over (Under) Expenditures	<u>57,652</u>	<u>--</u>	<u>(35,804)</u>	<u>21,848</u>
Other Financing Sources (Uses)				
Transfers In	--	--	53,912	53,912
Transfers Out	(53,912)	--	--	(53,912)
Net Other Financing Sources (Uses)	<u>(53,912)</u>	<u>--</u>	<u>53,912</u>	<u>--</u>
Net Change in Fund Balance	<u>3,740</u>	<u>--</u>	<u>18,108</u>	<u>21,848</u>
Fund Balance at Beginning of Period	975,684	--	26,762	1,002,446
Fund Balance at End of Period	<u>\$ 979,424</u>	<u>\$ --</u>	<u>\$ 44,870</u>	<u>\$ 1,024,294</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Lakeland Library Cooperative
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended September 30, 2025

Total Net Change in Fund Balances - Governmental Funds	\$	21,848
Governmental fund report capital outlay as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is represented by the amount by which capital outlay of \$58,901 does not exceed depreciation expense of \$137,311.		(78,410)
The statement of activities reports changes to net pension liability and pension related deferred items as pension expense; however, the expenditures recorded on the governmental funds equals actual pension contributions.		(15,940)
Change to compensated absences are not shown in the fund financial statements. The net effect of the current year increase is a decrease in net position.		(2,142)
Current year long-term debt principal payments are expenditures in the fund financial statements but are reductions in long-term debt in the government-wide financial statements.		107,610
Changes in Net Position - Governmental Activities	\$	<u>32,966</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Notes to the Financial Statements

Lakeland Library Cooperative

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Lakeland Library Cooperative (the “Cooperative”) have been prepared in conformity with the U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Cooperative’s accounting principles are described below.

Lakeland Library Cooperative was formed by the authority of Public Libraries Act 89 of 1977. The Cooperative provides interlibrary loan, delivery, shared ILS, and other services to member libraries in Allegan, Barry, Ionia, Kent, Montcalm, Muskegon, Newaygo, and Ottawa counties.

Reporting Entity

The Cooperative Board, a nine-member group appointed in accordance with a formula stated in Article V, Section I of the Cooperative bylaws, has governance responsibilities over all activities related to the Lakeland Library Cooperative. The Board receives funding primarily from local and state sources and must comply with concomitant requirements of these funding entities. However, the Board is not included in any other governmental “reporting entity” as defined by the Government Accounting Standards Board since the Board members, who are appointed (as legislated by Public Libraries Act 89 of 1977) from Cooperative members, have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. In accordance with generally accepted accounting principles, there are no component units to be included in these financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (e.g., the statement of position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Cooperative only has governmental activities.

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

The statement of net position includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Cooperative’s net position is reported in three parts: 1) investment in capital assets 2) restricted net position, and 3) unrestricted net position.

Lakeland Library Cooperative

Notes to the Financial Statements

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Cooperative 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, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Intergovernmental revenue, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Cooperative.

The Cooperative reports the following major governmental funds:

The *General Fund* is the Cooperative's primary operating fund. It accounts for all financial resources of the Cooperative, except those required to be accounted for in another fund.

The *Library Services Fund* accounts for specific revenues and expenses agreed upon by member libraries for the benefit of those libraries.

The *Capital Projects Fund* accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Equity

Cash and Investments

Cash and equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of 90 days or less when acquired. Investments are stated at fair value based on quoted market price and include certificates of deposit with an original maturity of greater than 90 days from the date of purchase. Certificate of deposits are stated at cost which approximates fair value.

Lakeland Library Cooperative

Notes to the Financial Statements

Prepaid Items

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

Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Cooperative as assets with an estimated useful life in excess of two years and an initial individual cost of more than \$5,000. Donated capital assets are valued at acquisition cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

	<u>Years</u>
Buildings and Improvements	15 - 30
Equipment, Furniture, and Vehicles	5 - 20
Intangible Right-to-Use Software Agreements	5
Infrastructure	15 - 30

Compensated Absences

The Cooperative accrues compensated absences for employees based on leave earned that is attributable to services already rendered and is more likely than not to result in a cash payment or other settlement. Accruals include vacation and sick leave, in accordance with the provisions of GASB Statement No. 101.

Under the terms of the Cooperative policies, full time employees are granted 12 days of sick leave per year. Unused sick leave benefits will be allowed to accumulate up to a maximum of one-hundred-thirty (130) days. Unused accumulated sick leave will be paid to employees who retire (age fifty-five (55) or older) with ten (10) years or more of continuous service, up to a maximum of ninety (90) days at the rate of one dollar (\$1.00) per day times the years of continuous service. Vacation time is paid at the hourly rate of the employee.

Long-term Obligations

In the government-wide financial statements, long-term debt, subscription-based information technology arrangements (“SBITAs”), and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payables are reported net of the applicable bond premium or discount.

Lakeland Library Cooperative

Notes to the Financial Statements

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond, lease, or SBITA issuance costs, during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. The face amount of long-term obligations issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

Deferred Compensation Plan

The Cooperative offers its employees a deferred compensation plan created in accordance with IRS section 457. The Plan, available to all Cooperative employees, permits them to defer a portion of their current salary until future years. A trust has been established for the plan assets and the related assets and liability are not included in the Cooperative's financial statements.

Pension

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.

Deferred Outflows / Inflows of Resources

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

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

Fund Balance Policies

Lakeland Library Cooperative

Notes to the Financial Statements

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. Governmental funds report *nonspendable fund balance* for 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* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government 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 government's highest level of decision-making authority. The Cooperative Board is the highest level of decision-making authority for the government 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.

Amounts in the *assigned fund balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Cooperative Director can 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.

Unassigned fund balance is the residual classification for the Cooperative's General Fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Cooperative Board.

Fund Balance Flow Assumption

Sometimes the Cooperative 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 Cooperative'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.

Net Position Flow Assumption

Sometimes the Cooperative 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

Lakeland Library Cooperative

Notes to the Financial Statements

report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Cooperative’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

As of March 23, 2026, the date these financial statements were available to be issued, management is not aware of any subsequent events that would have a significant impact on the financial condition of the Cooperative.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the all funds. All annual appropriations lapse at fiscal year-end. P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The budget document is adopted on an activity basis. Subsequent budget amendments are approved by the Cooperative Board. During the year, the budget was amended in a legally permissible manner.

Excess of Expenditures over Appropriations in Budgeted Funds

The Cooperative had the no expenditures in excess of the amounts appropriated for the year ended September 30, 2025.

Lakeland Library Cooperative

Notes to the Financial Statements

Note 3 - Deposits and Investments

Deposits and investments consisted of the following at September 30, 2025:

Statement of Net Position	
Cash and Investments	<u>\$ 1,020,367</u>
Deposits and Investments	
Demand Deposits (Checking and Savings Accounts)	347,451
Investments - Michigan CLASS	<u>672,916</u>
Total Deposits and Investments	<u>\$ 1,020,367</u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Cooperative's deposits might not be returned. State law does not require, and the Cooperative does not have a policy for deposit custodial credit risk. As of year-end the Cooperative's bank balance of \$349,014 was entirely insured and not exposed to custodial credit risk.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Cooperative will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require, and the Cooperative does not have a policy for investment custodial credit risk. The Cooperative's Michigan CLASS investments of \$672,916 are rated AAAM by the S&P.

Interest Rate Risk - Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Cooperative's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. None of the Cooperative's investments have a maturity date.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk. The Cooperative's investment policy does not have specific limits in excess of State law on concentration of credit risk. All investments held at year-end are reported above.

Investments in Entities that Calculate Net Asset Value per Share. The Cooperative holds shares in the Michigan CLASS government investment pool whereby the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

At year-end, the net asset value of the Cooperative's investment in the Michigan CLASS government investment pool was \$672,916. The investment pool had no unfunded commitments,

Lakeland Library Cooperative

Notes to the Financial Statements

specific redemption frequency or redemption notice period required. The Michigan CLASS government investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and other public agencies.

Note 4 – Interfund Activity

Interfund balances for the year ended September 30, 2025 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Library Services	\$ 40,000
General	Capital Projects	34,429

Interfund balances result primarily from the time lag between dates that: 1) interfund goods and services are provided or reimbursed expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Interfund transfers for the year ended September 30, 2025, consisted of transfers in of \$53,912 from the general fund to the capital projects fund to fund capital improvements.

Lakeland Library Cooperative

Notes to the Financial Statements

Note 5 - Capital Assets

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

	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets not Being Depreciated				
Land	\$ 76,518	\$ -	\$ -	\$ 76,518
Capital Assets Being Depreciated				
Office Furniture	165,976	-	-	165,976
Buildings and Improvements	406,835	-	(1,046)	405,789
Training Center Furniture and Equipment	37,151	-	-	37,151
Information System	1,007,588	-	-	1,007,588
Vehicles	183,961	58,901	-	242,862
Intangible Right-to-Use Software Arrangements	437,550	-	-	437,550
<i>Subtotal</i>	<u>2,239,061</u>	<u>58,901</u>	<u>(1,046)</u>	<u>2,296,916</u>
Less Accumulated Depreciation and Amortization				
Office Furniture	(159,977)	(924)	-	(160,901)
Buildings and Improvements	(322,045)	(13,172)	1,046	(334,171)
Training Center Furniture and Equipment	(37,151)	-	-	(37,151)
Information System	(1,002,610)	(1,867)	-	(1,004,477)
Vehicles	(79,529)	(18,396)	-	(97,925)
Intangible Right-to-Use Software Arrangements	(205,900)	(102,952)	-	(308,852)
<i>Subtotal</i>	<u>(1,807,212)</u>	<u>(137,311)</u>	<u>1,046</u>	<u>(1,943,477)</u>
Capital Assets Being Depreciated, net	<u>431,849</u>	<u>(78,410)</u>	<u>-</u>	<u>353,439</u>
Capital Assets, net	<u>\$ 508,367</u>	<u>\$ (78,410)</u>	<u>\$ -</u>	<u>\$ 429,957</u>

Depreciation and amortization expense was charged to the following functions of the Cooperative:

Administration	\$ 135,444
Information Technology	1,867
Total Depreciation and Amortization	<u>\$ 137,311</u>

Note 6 - Long-term Obligations

Detailed Long-term Obligations Disclosures

The following schedule summarizes the changes in the Cooperative's long-term obligations during the year:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Long-term Portion
SBITA Liability	\$ 222,163	\$ -	\$ (107,610)	\$ 114,553	\$ 114,553	\$ -
Compensated Absences	34,708	2,142	-	36,850	32,554	4,296
Total Long-term Obligations	<u>\$ 256,871</u>	<u>\$ 2,142</u>	<u>\$ (107,610)</u>	<u>\$ 151,403</u>	<u>\$ 147,107</u>	<u>\$ 4,296</u>

Lakeland Library Cooperative

Notes to the Financial Statements

Debt service payments for the arrangement and compensated absences are expected to be paid from the general fund.

A summary of the principal and interest amounts for the remaining arrangement includes the following principal and interest payments:

Fiscal Year			
Ending			
September 30,	Principal	Interest	Total
2026	114,553	3,432	117,985
Totals	\$ 114,553	\$ 3,432	\$ 117,985

Note 7 - Risk Management

The Cooperative 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 Cooperative has purchased commercial insurance for claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years. There were no significant reductions in insurance coverage during the past year.

Note 8 - Pension Plans

Defined Contribution Pension Plan

The Cooperative provides a defined contribution pension plan, which provides retirement benefits to the Cooperative Director. At September 30, 2025, there was one member in the plan. Plan members are not required to contribute. The Cooperative was required to contribute 7.00% of annual covered payroll through March 31, 2021 and 8.00% thereafter. Employer contributions for the year totaled \$9,482. The plan provisions and contribution requirements were established and may be amended by the Cooperative.

Defined Benefit Pension Plan

Plan Description

The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer 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.

Lakeland Library Cooperative

Notes to the Financial Statements

Retirement benefits for employees are calculated as follows:

Division	Benefit Multiplier	Benefit Maximum	Final Average Compensation (Years)	Normal Retirement Age	Unreduced Benefit (Age/Years of Service)	Reduced Benefit (Age/Years of Service)	Vesting (Years)
Non-Union - Closed	2.25%	80%	5	60	N/A	50/25 or 55/15	6
Non-Union Hired After 11/01/2010 - Open	1.50%	No Max	5	60	N/A	50/25 or 55/15	8

Employees Covered by Benefit Terms

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

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	5
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	5
Active Plan Members	8
Total Employees Covered by MERS	<u>18</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 were 4.63% based on annual payroll for the open division and the division that is closed to new employees has an employer contribution amount of \$1,642 per month. Employee contributions were 4.00% and 5.00% based on annual payroll for each division, respectively.

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	2.50%
Salary Increases	3.00% plus merit and longevity: 3% 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 3.00% long-term wage inflation assumption would be consistent with a price inflation of 3.00-4.00%.

Lakeland Library Cooperative

Notes to the Financial Statements

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	60.00%	7.00%	4.20%	2.50%	2.70%
Global fixed income	20.00%	4.66%	0.93%	2.50%	0.43%
Private investments	20.00%	9.00%	1.80%	2.50%	1.30%
Total	100.00%		6.93%		4.43%

Discount Rate

The discount rate used to measure the total pension liability in the current year is 7.18% and prior year was 7.18%. 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 expenses. 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.

Lakeland Library Cooperative

Notes to the Financial Statements

Net Pension Liability

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

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

	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability (Asset)
Balance at September 30, 2024	\$ 1,688,344	\$ 1,647,602	\$ 40,742
<i>Changes for the Year:</i>			
Service Cost	45,491	-	45,491
Interest on Total Pension Liability	119,469	-	119,469
Differences Between Expected and Actual Experience	15,880	-	15,880
Changes in assumptions	(5,570)	-	(5,570)
Contributions - Employer	-	32,140	(32,140)
Contributions - Employee	-	24,761	(24,761)
Net Investment Income (Loss)	-	122,932	(122,932)
Benefit Payments, Including Refunds	(94,352)	(94,352)	-
Administrative Expenses	-	(3,653)	3,653
Other changes	-	(2)	2
<i>Net Changes</i>	80,918	81,826	(908)
Balance at September 30, 2025	\$ 1,769,262	\$ 1,729,428	\$ 39,834

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	1% Decrease	Current	1% Increase
	(6.18%)	Discount Rate (7.18%)	(8.18%)
Net Pension Liability (Asset) of the Cooperative	\$ 230,144	\$ 39,834	\$ (121,417)

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses

Lakeland Library Cooperative

Notes to the Financial Statements

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended September 30, 2025 the Cooperative recognized pension expense of \$42,214. The Cooperative reported deferred outflows and inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	58,360	\$ -
Differences Between Expected and Actual Experience	38,078	15,832
Changes in Assumptions	5,939	4,178
Employer Contributions to the Plan Subsequent to the Measurement Date*	19,407	-
Total	\$ 121,784	\$ 20,010

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as an addition to the net pension liability (asset) for the year ending September 30, 2026.

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

Year Ending September 30,	Amount
2026	29,382
2027	64,692
2028	(10,484)
2029	(1,222)

Note 9 – Implementation of New Accounting Standard

GASB Statement No. 101, Compensated Absences

Effective for fiscal year 2025, the Cooperative implemented the provisions of *GASB Statement No. 101, Compensated Absences*. GASB 101 establishes recognition and measurement guidance for compensated absences and clarifies the criteria for accrual of leave liabilities.

Implementation of this Statement did not require a restatement of beginning net position or fund balance, as the Cooperative’s existing policies for recognizing vacation and sick leave liabilities were already consistent with the requirements of GASB 101.

Required Supplementary Information

Lakeland Library Cooperative
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended September 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Charges for Services	\$ 835,817	\$ 835,817	\$ 815,256	\$ (20,561)
Unrestricted State Aid	849,000	758,051	762,761	4,710
Unrestricted Interest Income	5,000	13,450	28,776	15,326
Total Revenues	<u>1,689,817</u>	<u>1,607,318</u>	<u>1,606,793</u>	<u>(525)</u>
Expenditures				
Administration	483,896	479,907	464,382	15,525
Delivery Service	294,126	287,779	263,937	23,842
Cataloging	255,271	255,990	255,232	758
Information Technology	86,200	80,550	76,958	3,592
Integrated Library System	383,258	374,372	374,362	10
Debt Service	107,610	107,610	107,610	--
Debt Service - Interest	6,660	6,660	6,660	--
Total Expenditures	<u>1,617,021</u>	<u>1,592,868</u>	<u>1,549,141</u>	<u>43,727</u>
Other Financing Uses				
Transfers Out	72,796	79,450	53,912	25,538
Total Expenditures and Other Financing Uses	<u>1,689,817</u>	<u>1,672,318</u>	<u>1,603,053</u>	<u>69,265</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	<u>--</u>	<u>(65,000)</u>	<u>3,740</u>	<u>68,740</u>
Net Change in Fund Balance	<u>--</u>	<u>(65,000)</u>	<u>3,740</u>	<u>68,740</u>
<i>Fund Balance at Beginning of Period</i>	975,684	975,684	975,684	--
Fund Balance at End of Period	<u>\$ 975,684</u>	<u>\$ 910,684</u>	<u>\$ 979,424</u>	<u>\$ 68,740</u>

Lakeland Library Cooperative
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Library Services
For the Year Ended September 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative) Final to Actual</u>
Revenues				
Pass Through	\$ 170,800	\$ 159,800	\$ 155,990	\$ (3,810)
Total Revenues	<u>170,800</u>	<u>159,800</u>	<u>155,990</u>	<u>(3,810)</u>
Expenditures				
Pass Through	170,800	159,800	155,990	3,810
Total Expenditures	<u>170,800</u>	<u>159,800</u>	<u>155,990</u>	<u>3,810</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balance	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balance at Beginning of Period	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

Lakeland Library Cooperative
Required Supplementary Information
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Last Ten Plan Years *

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service Cost	\$ 45,491	\$ 43,765	\$ 48,855	\$ 37,658	\$ 42,171	\$ 39,728	\$ 35,748	\$ 32,361	\$ 31,013	\$ 29,978
Interest on Total Pension Liability	119,469	110,631	108,809	111,160	106,189	103,409	98,699	93,298	88,840	82,267
Differences Between Expected and Actual Experience	15,880	52,336	(63,328)	(116,062)	(82,675)	(27,326)	(25,430)	(7,746)	(11,158)	6,058
Changes in Assumptions **	(5,570)	11,878	-	54,327	48,672	38,166	-	-	-	48,172
Benefit Payments, Including Refunds	(94,352)	(68,664)	(64,669)	(44,306)	(49,075)	(52,113)	(52,113)	(52,113)	(55,199)	(52,113)
Net Change in Pension Liability	80,918	149,946	29,667	42,777	65,282	101,864	56,904	65,800	53,496	114,362
Total Pension Liability - Beginning	1,688,344	1,538,398	1,508,731	1,465,954	1,400,672	1,298,808	1,241,904	1,176,104	1,122,608	1,008,246
Total Pension Liability - Ending (a)	\$ 1,769,262	\$ 1,688,344	\$ 1,538,398	\$ 1,508,731	\$ 1,465,954	\$ 1,400,672	\$ 1,298,808	\$ 1,241,904	\$ 1,176,104	\$ 1,122,608
Plan Fiduciary Net Position										
Contributions - Employer	\$ 32,140	\$ 33,917	\$ 33,063	\$ 24,686	\$ 22,093	\$ 25,977	\$ 26,288	\$ 131,078	\$ 21,980	\$ 20,463
Contributions - Employee	24,761	24,417	22,490	20,171	20,081	17,500	15,709	14,770	13,852	13,710
Net Investment Income (Loss)	122,932	167,044	(174,197)	209,299	170,389	158,875	(48,442)	134,412	104,267	(14,255)
Benefit Payments, Including Refunds	(94,352)	(68,664)	(64,669)	(44,306)	(49,075)	(52,113)	(52,113)	(52,113)	(55,199)	(52,113)
Administrative Expenses	(3,653)	(3,544)	(3,114)	(2,401)	(2,658)	(2,739)	(2,387)	(2,116)	(2,059)	(2,082)
Net Change in Plan Fiduciary Net Position	81,828	153,170	(186,427)	207,449	160,830	147,500	(60,945)	226,031	82,841	(34,277)
Plan Fiduciary Net Position - Beginning	1,647,601	1,494,431	1,680,858	1,473,409	1,312,579	1,165,079	1,226,024	999,993	917,152	951,429
Plan Fiduciary Net Position - Ending (b)	\$ 1,729,429	\$ 1,647,601	\$ 1,494,431	\$ 1,680,858	\$ 1,473,409	\$ 1,312,579	\$ 1,165,079	\$ 1,226,024	\$ 999,993	\$ 917,152
Net Pension Liability (Asset) - Ending (a) - (b)	\$ 39,833	\$ 40,743	\$ 43,967	\$ (172,127)	\$ (7,455)	\$ 88,093	\$ 133,729	\$ 15,880	\$ 176,111	\$ 205,456
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	97.75%	97.59%	97.14%	111.41%	100.51%	93.71%	89.70%	98.72%	85.03%	81.70%
Covered Payroll	\$ 493,828	\$ 459,386	\$ 501,782	\$ 389,595	\$ 451,625	\$ 432,447	\$ 383,137	\$ 342,055	\$ 324,929	\$ 318,993
Net Pension Liability (Asset) as a Percentage of Covered Payroll	8.07%	8.87%	8.76%	-44.18%	-1.65%	20.37%	34.90%	4.64%	54.20%	64.41%

Notes to Schedule:

* Built prospectively upon implementation on GASB Statement No. 68. An additional year will be added each year until ten years are presented.

**The following were significant changes to economic and demographic assumptions:

2015 valuation - The investment rate of return assumption was reduced from 8.25% to 8.0%, the wage inflation assumption was reduced from 4.50% to 3.75%, inflation rates changed from 3.0-4.0% to 3.25%, and the mortality assumption was updated to be based on the RP-2014 tables.

2019 valuation - The investment rate of return assumption was reduced from 8.00% to 7.60%, the wage inflation assumption was reduced from 3.75% to 3.00%.

2020 valuation - Mortality rates were changed to the recently issued Pub-2010 mortality general rates as published by the Society of Actuaries along with a change to sex-distinct assumptions.

2021 valuation - The investment rate of return assumption was reduced from 7.60% to 7.25%.

2022 valuation - The investment rate of return assumption was reduced from 7.25% to 7.00%.

2023 valuation - The investment rate of return assumption was reduced from 7.25% to 7.18%.

**Lakeland Library Cooperative
Required Supplementary Information
Schedule of Contributions
Last Ten Fiscal Years ***

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 26,274	\$ 25,416	\$ 34,099	\$ 31,727	\$ 23,612	\$ 21,603	\$ 27,611	\$ 30,101	\$ 21,980	\$ 20,463
Contributions in Relation to the Actuarially Determined Contribution	\$ 26,274	33,314	34,099	31,727	23,612	21,603	27,611	141,316	21,980	20,463
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ (7,898)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (111,215)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	<u>\$ 426,934</u>	\$ 459,386	\$ 418,798	\$ 669,651	\$ 451,465	\$ 464,844	\$ 381,762	\$ 353,234	\$ 324,929	\$ 318,993
Contributions as a Percentage of Covered Payroll	6.15%	7.25%	8.14%	4.74%	5.23%	4.65%	7.23%	40.01%	6.76%	6.41%

Notes to Schedule:

* Built prospectively upon implementation on GASB Statement No.68. An additional year will be added each year until ten years are presented.

Valuation Date

Actuarially determined contribution amounts are calculated as of December 31 each year, which is the year prior to the beginning of the fiscal year in which the contributions are required.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry-age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	15 Years
Asset Valuation Method	5-Year; Smoothed
Inflation	2.50%
Salary Increases	3.00% Wage Inflation with 0.00%-11.00% Merit and Longevity Increases (3.75% for 2015 through 2019)
Investment Rate of Return	7.00%, Net of Investment Expense, including Inflation (7.75% for 2015 through 2019, 7.35% for 2020 through 2021)
Retirement Age	Experience-Based Tables of Rates that are Specific to the Type of Eligibility Condition
Mortality	Rates Used were Based on the Pub-2010 and fully generational MP-2019

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Lakeland Library Cooperative
Grand Rapids, Michigan

We have audited, in accordance with the 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, the financial statements of the Lakeland Library Cooperative (the "Cooperative"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements, and have issued our report thereon dated March 23, 2026.

Report on Internal Control over Financial Reporting year

In planning and performing our audit of the financial statements, we considered the Cooperative's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our

tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in black ink and is positioned above the printed name of the firm.

Gabridge & Company, PLC
Grand Rapids, MI
March 23, 2026

March 23, 2026

To the Board of Directors
Lakeland Library Cooperative
Grand Rapids, Michigan

We have audited the financial statements of the governmental activities and each major fund of the Lakeland Library Cooperative (the “Cooperative”) as of and for the year ended September 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 21, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Cooperative are described in Note 1 to the financial statements. During the year, the Cooperative adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. The adoption of this standard did not result in a restatement of beginning net position. We noted no other new accounting policies adopted and no changes to the application of existing policies during the fiscal year. We also noted no transactions entered into by the Cooperative during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Cooperative’s financial statements were:

- Management’s estimate of the useful life of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management’s estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

- The assumptions used in the actuarial valuations of the pension plan are based on historical trends and industry standards.

We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 23, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Cooperative's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Cooperative's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, budgetary comparison schedules, and the required pension schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of the Cooperative and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the printed name of the company.

Gabridge & Company, PLC
Grand Rapids, MI