FERNDALE AREA DISTRICT LIBRARY
OAKLAND COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2025

GABRIDGE & CO.

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GABRIDGE & CO

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INDEPENDENT AUDITOR'S REPORT

To the Library Board
Ferndale Area District Library
Ferndale, Michigan

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Implementation of New Accounting Standard

As discussed in Note 10 to the financial statements, the Library implemented Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*, during the year ended June 30, 2025. 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's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information, 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.

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, Michigan
December 30, 2025

Management's Discussion and Analysis

Ferndale Area District Library
Management's Discussion and Analysis
June 30, 2025

As management of the Ferndale Area District Library, we offer readers of the Ferndale Area District Library's (the "Library") financial statements this narrative overview and analysis of the financial activities of the Library for the year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

- The assets of the Library exceeded its liabilities at the close of this fiscal year by $3,847,391 (shown as *net position*). Of this amount $783,619 (*unrestricted net position*) may be used to meet the Library's ongoing services and obligations.

- During the year, the Library received $2,724,513 in revenues and incurred $2,408,113 in expenses, resulting in an increase in net position of $316,400.

- The general fund increased its fund balance by $187,119 during the year for an ending fund balance of $653,147.

- At the end of the current fiscal year, unassigned fund balance for the general fund was $653,147, or 23.6%, of the general fund's total expenditures.

Overview of the Financial Statements

The Library'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 Library's financial position. They are presented using a method of accounting that is similar to a private sector business.

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

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

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 Library uses fund accounting to ensure compliance with finance-related legal requirements.

Governmental Funds. The Library'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 fund and the capital project fund are the only governmental funds for the Library.

The Library adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund 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 demonstrates compliance with the Library's budget.

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 Library, assets exceeded liabilities by $3,847,391 as of June 30, 2025.

	2025	2024
ASSETS		
Current Assets		
Cash and Investments	$ 831,473	$ 914,298
Recievables	-	2,283
Due from Other Governments	76,694	-
Prepaid Items	-	7,172
Total Current Assets	908,167	923,753
Noncurrent Assets		
Capital Assets not being Depreciated	247,553	27,132
Capital Assets being Depreciated, net	3,626,972	3,862,447
Total Assets	4,782,692	4,813,332
LIABILITIES		
Current Liabilities		
Accounts Payable	39,978	13,782
Accrued Payroll	32,836	26,737
Accrued Interest	5,033	7,433
Current Portion of Compensated Absences	35,026	34,415
Current Portion of Long-term Debt	382,132	366,748
Total Current Liabilities	495,005	449,115
Noncurrent Liabilities		
Compensated Absences	11,675	10,488
Long-term Debt	428,621	822,738
Total Liabilities	935,301	1,282,341
NET POSITION		
Net Investment in Capital Assets	3,063,772	2,700,093
Unrestricted	783,619	830,898
Total Net Position	$ 3,847,391	$ 3,530,991

The largest portion of the Library's net position ($3,063,772, or 80%) reflects its investment in capital assets (e.g., equipment, furniture, and library books), less any related outstanding debt that was used to acquire those assets. The Library uses these capital assets to provide a variety of services to its patrons. Accordingly, these assets are not available for future spending. Although the Library's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of $783,619 is unrestricted and may be used to meet the Library's ongoing obligations to its patrons and creditors.

Total assets decreased by $30,640, from $4,813,332 in 2024 to $4,782,692 in 2025. This reduction is primarily due to a decrease in capital assets, which declined by $15,054. This reduction reflects annual depreciation expense of $380,071 partially offset by capital asset additions of $365,017. Current assets also declined by $15,586, largely driven by a $82,825 decrease in cash and investments, resulting from operational activities, offset by an increase in due from governments for delinquent tax receivables recorded in the current year.

Total liabilities decreased by $347,040, from $1,282,341 in 2024 to $935,301 in 2025. The most notable change was in long-term debt, which decreased by $378,733, consistent with the annual principal repayment schedule. Current liabilities showed modest changes, including a $26,196 increase in accounts payable and a $6,099 increase in accrued payroll. These fluctuations are reasonable and reflective of normal operating cycles. Accrued interest decreased by $2,400, following the reduction in long-term debt. Collectively, these reductions in liabilities indicate the Library's ongoing efforts to reduce outstanding debt while maintaining consistent operational obligations.

The following schedule shows the Library’s revenues, expenses, and changes in net position for the two most recent years:

	2025	2024
Program Revenues		
Charges for Services	$ 34,335	$ 34,252
Operating Grants and Contributions	6,819	7,885
Total Program Revenues	41,154	42,137
General Revenues		
Property Taxes	2,596,632	2,407,724
Unrestricted State Aid	20,214	19,460
Intergovernmental	39,953	41,374
Penal Fines	26,560	25,741
Total General Revenues	2,683,359	2,494,299
Total Revenues	2,724,513	2,536,436
Expenses		
Recreation and Culture	2,376,000	2,326,290
Interest on Long-term Debt	32,113	41,689
Total Expenses	2,408,113	2,367,979
Net Change in Net Position	316,400	168,457
Net Position at Beginning of Period	3,530,991	3,362,534
Net Position at End of Period	$ 3,847,391	$ 3,530,991

Significant changes in revenues

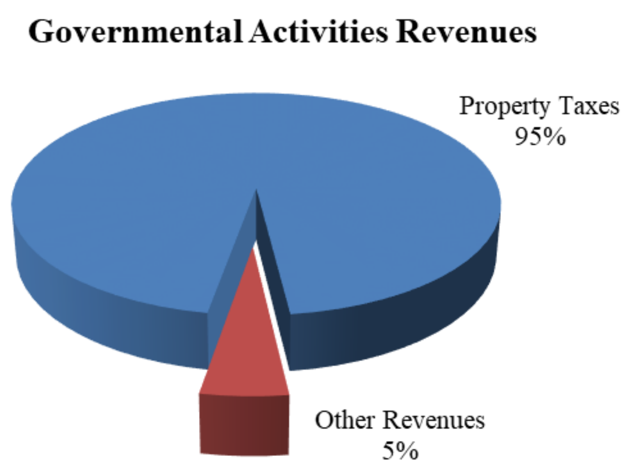
Total revenues increased by $188,077, from $2,536,436 in 2024 to $2,724,513 in 2025. The largest contributor to this increase was property tax revenue, which rose by $188,908 due to a 8.6% increase in taxable values within the Library's district. Conversely, operating grants and contributions saw a slight decline of $1,066, reflecting reduced grant funding. Penal fines increased modestly by $819, likely due to increased fine collection during the year. Overall, the increase in property tax revenues was the most significant driver of total revenue growth.

Significant changes in expenses

Total expenses rose by $40,134, from $2,367,979 in 2024 to $2,408,113 in 2025. Library expenses increased by $49,710, driven primarily by higher staffing costs, including $37,392 in additional wages, payroll taxes, and benefits. Other contributors to the increase included higher costs for supplies and professional services, reflecting the Library's expanded operations and programming. The rise in expenses corresponds to the Library's efforts to enhance services and maintain operational capacity.

Governmental Activities

The following chart details the revenue sources for the governmental activities of the Library for the most recent fiscal year-end:



Salaries and payroll taxes were the largest expenses for the Library. The Library spent $1,236,096 on salaries and payroll taxes, or 51 percent of the Library’s total expenses. Another significant expense for the Library was depreciation expense of $380,071, which represented another 16 percent of the total expenses within the Library during the year ended June 30, 2025.

Financial Analysis of the Government's Funds

The Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

General Fund

The general fund is the chief operating fund of the Library. At the end of the current fiscal year, unassigned and total fund balance of the general fund was $653,147. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned and total fund balance represents approximately 23.6% of total general fund expenditures.

The fund balance of the Library's general fund increased by $187,119 during the current fiscal year. The most significant reason for the increase was a transfer in of $235,000 from the capital projects fund, offset by a net deficit of $47,881 between revenues and expenditures. The Board monitors the expenditures of the general fund closely to ensure that spending does not exceed the Library's available resources.

Capital Projects Fund

The capital projects fund, a major fund, decreased by $235,000 during the current fiscal year for an ending fund balance of $182,206. The reduction was entirely attributable to the $235,000 transfer out to the general fund. This reflects the Library's strategic use of capital project resources to support operational needs while maintaining adequate reserves for future projects.

General Fund Budgetary Highlights

Original budget compared to final budget. Between the original and final amended budgets, total revenues and other financing sources decreased by $46,418, from $2,713,685 to $2,667,267. This decrease was primarily attributable to a $58,280 downward adjustment in projected property tax revenue based on revised assessments. This decrease was partially offset by an increase of $6,506 in other revenues due to higher-than-anticipated miscellaneous receipts. Total expenditures decreased by $115,614, primarily reflecting reductions in salaries and payroll tax expenditures of $56,455 and lower projected building and equipment expenditures of $50,000.

Final budget compared to actual results. The final budget compared to actual results shows that the Library outperformed expectations, with total revenues and other financing sources exceeding the budget by $67,246. Total expenditures came in $30,252 under budget, with notable savings in salaries and payroll taxes ($8,927) and operating supplies ($10,401).

The Library had two expenditures over the amounts appropriated. First, an overage in fringe benefits ($4,515) and the second variance was $645 related to facilities.

Capital Asset and Debt Administration

Capital Assets. The Library's investment in capital assets at year-end amounted to $3,874,525 (net of accumulated depreciation). Capital assets of the Library include any items purchased that have an expected useful life of over one year and a cost of over $3,000. The Library has invested in a broad range of capital assets. More information about the Library's capital assets can be found in the notes to the financial statements section of this document.

Long-term Debt. The Library had debt outstanding of $810,753 as of June 30, 2025. More information on this long-term debt can be found in the notes to the financial statements section of this document.

Economic Factors and Next Year's Budgets and Rates

Management anticipates that the general fund will receive a comparable level of revenue in the upcoming budget year, primarily through property taxes. The Library remains committed to scrutinizing all budget line items to identify potential expenditure reductions where feasible. Continuous monitoring of the budget will be conducted throughout the year to determine if amendments are necessary.

In light of rising operational costs due to inflation, particularly in areas such as wages and benefits, the Library acknowledges the importance of property taxes as a vital revenue source. A modest increase in taxable property values is anticipated, which is expected to help offset these escalating costs. The Library will continue to engage with the community to ensure transparency and to advocate for the necessary support to maintain and enhance its services.

Additionally, the Library is exploring opportunities to secure grants and other funding sources to supplement its revenue. This proactive approach aims to ensure the Library can continue to provide high-quality services to the community.

Overall, the Library is committed to fiscal responsibility and will continue to adapt its financial strategies to meet the evolving needs of the community. Regular assessments and community engagement will be key components in ensuring the Library's financial health and service quality in the coming year.

Contacting the Library's Management

This financial report is designed to provide the wide variety of users of this document with a general overview of the Library's finances and demonstrate the Library'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:

Ferndale Area District Library
222 E Nine Mile Rd
Ferndale, MI 48220

Basic Financial Statements

Ferndale Area District Library
Statement of Net Position
June 30, 2025

ASSETS		
Current Assets		
Cash and Investments	$	831,473
Due From Other Governments		76,694
Total Current Assets		908,167
Noncurrent Assets		
Capital Assets not being Depreciated		247,553
Capital Assets being Depreciated, net		3,626,972
Total Assets		4,782,692
LIABILITIES		
Current Liabilities		
Accounts Payable		39,978
Accrued Payroll		32,836
Current Portion of Compensated Absences		35,026
Current Portion of Long-term Debt		382,132
Accrued Interest		5,033
Total Current Liabilities		495,005
Noncurrent Liabilities		
Compensated Absences		11,675
Long-term Debt		428,621
Total Liabilities		935,301
NET POSITION		
Net Investment in Capital Assets		3,063,772
Unrestricted		783,619
Total Net Position	$	**3,847,391**

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

Ferndale Area District Library
Statement of Activities
For the year Ended June 30, 2025

		Program Revenues			
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Net (Expense) Revenue**
Governmental Activities:					
Recreation and Culture	$ 2,376,000	$ 34,335	$ 6,819	$ --	$ (2,334,846)
Interest on Long-term Debt	32,113	--	--	--	(32,113)
Total	$ 2,408,113	$ 34,335	$ 6,819	$ --	(2,366,959)
		General Purpose Revenues:			
		Property Taxes			2,596,632
		Unrestricted State Revenue			60,167
		Penal Fines			26,560
		Total General Revenues			2,683,359
		Change in Net Position			**316,400**
		Net Position at Beginning of Period			3,530,991
		Net Position at End of Period			$ **3,847,391**

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

Ferndale Area District Library
Balance Sheet
Governmental Funds
June 30, 2025

	General	Capital Projects Capital Project	Total Governmental Funds
ASSETS			
Cash and Investments	$ 649,267	$ 182,206	$ 831,473
Due From Other Governments	76,694	--	76,694
Total Assets	**$ 725,961**	**$ 182,206**	**$ 908,167**
LIABILITIES			
Accounts Payable	$ 39,978	$ --	$ 39,978
Accrued Payroll	32,836	--	32,836
Total Liabilities	72,814	--	72,814
FUND BALANCE			
Assigned	--	182,206	182,206
Unassigned	653,147	--	653,147
Total Fund Balance	653,147	182,206	835,353
Total Liabilities and Fund Balance	**$ 725,961**	**$ 182,206**	**$ 908,167**

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

Ferndale Area District Library
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2025

Total Fund Balance - Governmental Funds	$	835,353
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This represents capital assets of $8,075,792, net of accumulated depreciation of $4,201,267.		3,874,525
In the statement of activities, interest is accrued on long-term debt, whereas in governmental funds, the interest expenditure is reported when due.		(5,033)
Compensated absences are not due in and payable in the current period, therefore, are not reported in the funds.		(46,701)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(810,753)
Total Net Position - Governmental Activities	$	**3,847,391**

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

Ferndale Area District Library
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the year Ended June 30, 2025

	General	Capital Projects Capital Project	Total Governmental Funds
Revenues			
Property Taxes	$ 2,596,632	$ --	$ 2,596,632
Intergovernmental Revenue	60,167	--	60,167
Fines and Forfeitures	27,835	--	27,835
Charges for Services	20,968	--	20,968
Other Revenues	18,911	--	18,911
Total Revenues	2,724,513	--	2,724,513
Expenditures			
Salaries and Payroll Taxes	1,234,298	--	1,234,298
Fringe Benefits	207,085	--	207,085
Operating Supplies	285,849	--	285,849
Facilities	89,495	--	89,495
Professional Services	162,687	--	162,687
Insurance	17,845	--	17,845
Dues and Subscriptions	12,580	--	12,580
Utilities	42,470	--	42,470
Telephone	5,349	--	5,349
Other Expenditures	53,790	--	53,790
Building and Equipment	247,700	--	247,700
Debt Service - Principal	366,748	--	366,748
Debt Service - Interest	46,498	--	46,498
Total Expenditures	2,772,394	--	2,772,394
Excess of Revenues Over (Under) Expenditures	(47,881)	--	(47,881)
Other Financing Sources (Uses)			
Transfers In	235,000	--	235,000
Transfers Out	--	(235,000)	(235,000)
Net Other Financing Sources (Uses)	235,000	(235,000)	--
Net Change in Fund Balance	**187,119**	**(235,000)**	**(47,881)**
Fund Balance at Beginning of Period	466,028	417,206	883,234
Fund Balance at End of Period	$ **653,147**	$ **182,206**	$ **835,353**

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

Ferndale Area District Library
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance with Statement of Activities
For the year Ended June 30, 2025

Total Net Change in Fund Balances - Governmental Funds	$	(47,881)
Governmental funds report capital outlay as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This represents depreciation expense of $380,071 less capital asset additions of $365,017.		(15,054)
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. Issuances of long-term debt are other financing sources in the funds but increase long-term debt in the government-wide financial statements.		366,748
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the increase in compensated absences of $1,798, the current year amortization of bond premiums of $11,985, and the decrease in accrued interest of $2,400.		12,587
Changes in Net Position - Governmental Activities	$	**316,400**

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

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

The Library was established in January 2015 as a district library pursuant to the District Library Establishment Act, 1989 PA 24, MCL 397.171. The original public library first opened in November 1930. The Library is governed by a seven-member Library Board. The Library is administered by a director appointed by the Board. The Library is primarily funded through a tax levy on property within the Library district, fines, fees, and state aid.

The financial statements of the Library have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles. The Library's more significant accounting policies are described below.

Government-wide and Fund Financial Statements

The government-wide financial statements (e.g., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government.

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 Library 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 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 Library's net position is reported in three parts: 1) net investment in capital assets, 2) restricted net position, and 3) unrestricted net position.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement foc*us 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 Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, 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 Library.

The Library reports the following major governmental funds:

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

The ***capital projects fund*** accounts for the accumulation and disbursement of resources for the construction of capital projects.

Financial Statement Amounts

Cash and Cash Equivalents

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.

- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

- Bankers' acceptances of United States banks.

- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.

- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Property Tax

The Library tax is levied on property in the Library's district on July 1 and becomes an enforceable lien on December 1. The Library's ad valorem tax is levied based on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year. The Library levied 2.8500 mill and the taxable valuation within the district was $952,696,480 on the 2024 tax roll (generating 2025's tax revenues).

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 are defined by the Library as assets with an initial cost of more than $3,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated assets are reported at acquisition value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

The Library also recognizes lease arrangements in accordance with GASB Statement No. 87. Under these arrangements, the Library obtains the right to use specified nonfinancial assets for a defined lease term. At the commencement of the lease term, the Library records an intangible right-to-use lease asset and a corresponding lease liability, both measured at the present value of expected lease payments. The right-to-use asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	Years
Library Collection	2 - 10
Equipment and Furniture	3 - 10
Buidling and Improvements	20 - 50

Leases - The Library follows the requirements of GASB Statement No. 87, Leases, for reporting lease arrangements in which it is a lessee. Under GASB 87, a lease is defined as a contract that conveys control of the right to use another party's nonfinancial asset (the underlying asset) for a period of time in an exchange or exchange-like transaction.

Compensated Absences

Library employees earn compensated absences based on length of service and position. Compensated absences are recognized as a liability in accordance with GASB Statement No. 101, *Compensated Absences*, when the leave is attributable to past service and it is probable that the leave will be used or paid. Unused compensated absences may be accumulated up to 240 hours and carried forward to future periods. Upon termination or retirement, employees are paid for accumulated compensated absences up to the allowable limit. The liability for compensated absences is reported in the statement of net position and is generally expected to be liquidated with future financial resources.

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Net Position Flow Assumption

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

Fund Balance Flow Assumption

Sometimes the Library will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library's policy to consider restricted fund balance to have been depleted before using any 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. 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 Library Board of Directors 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 Library 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 Library'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 Library Board of Directors.

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.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The appropriated budget is prepared by individual revenue and expenditure line item. The legal level of budgetary control is the individual line item. The Board of Directors made supplemental budgetary appropriations throughout the year. All annual appropriations lapse at the end of the fiscal year.

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 Library had the following expenditures in excess of the amount appropriated during the year ended June 30, 2025:

	Final Budget	Actual	Variance
Fringe Benefits	$ 202,570	$ 207,085	$ (4,515)
Facilities	88,850	89,495	(645)

Note 3 - Cash

The Library reported $831,473 of cash and cash equivalents as of June 30, 2025, all of which was held in a checking account within one financial institution.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Library's deposits might not be returned. State law does not require and the Library does not have a policy for deposit custodial credit risk. As of year-end, $614,041 of the Library's bank balance of $864,041 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the Library believes it is impractical to insure all bank deposits. As a result, the Library evaluates each financial institution with which it deposits Library funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 4 - Capital Assets

A summary of the changes in capital assets is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated				
Construction in Progress	$ 27,132	$ 220,421	$ -	$ 247,553
Capital assets being depreciated				
Library Collection	$ 1,479,653	$ 126,877	$ -	$ 1,606,530
Equipment and Furniture	898,235	-	-	898,235
Building and Improvements	5,266,139	17,719	-	5,283,858
Intangible Right to Use - Printers/Copiers	39,616	-	-	39,616
Subtotal	7,683,643	144,596	-	7,828,239
Less accumulated depreciation				
Library Collection	726,311	101,288	-	827,599
Equipment and Furniture	436,119	60,704	-	496,823
Building and Improvements	2,657,508	210,533	-	2,868,041
Intangible Right to Use - Printers/Copiers	1,258	7,546	-	8,804
Subtotal	3,821,196	380,071	-	4,201,267
Net capital assets being depreciated	3,862,447	(235,475)	-	3,626,972
Capital Assets, Net	$ 3,889,579	$ (15,054)	$ -	$ 3,874,525

Depreciation expense of $380,071 was applied to the recreation and culture function.

Note 5 - Long-term Debt

Long-term debt activity for the year ended June 30, 2025, was as follows:

Description	Balance at June 30, 2024	Additions	Deletions	Balance at June 30, 2025	Due Within One Year
2018 General Obligation Limited Tax Bonds	$ 1,115,000	$ -	$ 360,000	$ 755,000	$ 375,000
Premium on Bond Issuance	35,959	-	11,985	23,974	-
2024 Lease Obligation	38,527	-	6,748	31,779	7,132
Compensated Absences	44,903	1,798	-	46,701	35,026
Total Governmental Activities	$ 1,234,389	$ 1,798	$ 378,733	$ 857,454	$ 417,158

Compensated absences of the Library will be liquidated by the general fund.

2018 General Obligation Limited Tax Bonds

On November 28, 2018, the Library issued $2,930,000 of 2018 General Obligation Limited Tax Bonds to finance Library leasehold improvements. The bonds are general obligation limited tax of the Library and bear interest rates of 3.00%. Interest is due semiannually. Principal payments range between $260,000 and $390,000 per annum. The bonds have a maturity date of May 1, 2027.
The aggregate amounts of long-term debt principal and interest maturities (excluding deferred compensation, compensated absences, and bond premium) for the five years ending June 30, 2027 are as follows:

Year Ending June 30	Principal	Interest	Total
2026	$ 375,000	$ 30,200	$ 405,200
2027	380,000	15,200	395,200
Totals	$ 755,000	$ 45,400	$ 800,400

2024 Lease Obligation

$39,616 was recorded as an intangible right-to-use lease. The lease includes one Toshiba e-Studio 4515AC copier, one Toshiba e-Studio 4525AC copier, and two HP Color LaserJet M553dn printers. This asset will be amortized over the lease term of 63 months using an interest rate of 5.55%. There are no residual value guarantees in the lease provisions. The lease will end in June 2029. The following schedule shows principal and interest payments due until maturity:

Year Ending June 30	Principal		Interest		Total	
2026	$	7,132	$	1,584	$	8,716
2027		7,538		1,178		8,716
2028		7,967		749		8,716
2029		8,421		295		8,716
2030		721		3		724
Totals	$	31,779	$	3,809	$	35,588

Note 6 - Defined Contribution Pension Plan

The Library participates in a 401(a) money-purchase retirement savings plan with Vantage Point. The Ferndale District Library Retirement Plan provides full-time employees the opportunity to participate. Contributions are made by employees and the employer with matching rates determined by the Library Board of Directors on a yearly basis. The Board of Directors has the ability to amend the retirement plan. For the year ended June 30, 2025, the total contributions to the plan were $63,857, which is equal to the required employer contribution.

Note 7 - Interfund Transfer

During the fiscal year ended June 30, 2025, the capital project fund transferred $235,000 to the general fund. This transfer was made to offset the cost of capital outlay expenditures that were paid from the general fund during the yar.

Note 8 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Library carries commercial insurance. Liabilities in excess of insurance are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There have been no losses in excess of insurance in the prior three years.

Note 9 – Subsequent Events

Management has evaluated subsequent events through December 30, 2025, the date these financial statements were available to be issues and is not aware of any events that could have a financial impact on the Library.

Note 10 – Implementation of New Accounting Standard – GASB Statement No. 101, Compensated Absences

Effective for the year ended June 30, 2025, the Library implemented GASB Statement No. 101, Compensated Absences.

Under this guidance, a liability for compensated absences (e.g., vacation and sick leave) is recognized when the leave is 1) attributable to services already rendered, 2) accumulates or vests, and 3) is more-likely-than-not to be used for time off or paid to employees. The liability is measured using the amount of leave expected to be used or paid (including salary-related payments) and the pay rates in effect at period-end.

The Library evaluated the impact of this standard and determined that its implementation did not result in a material change to the financial statements. Leave benefits do not give rise to a significant change in the long-term liability. Accordingly, no adjustment to beginning net position or fund balance was required upon adoption.

Required Supplementary Information

Ferndale Area District Library
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the year Ended June 30, 2025

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Property Taxes	$ 2,598,385	$ 2,541,652	$ 2,596,632	$ 54,980
Intergovernmental Revenue	61,000	60,167	60,167	--
Fines and Forfeitures	25,500	27,669	27,835	166
Charges for Services	16,500	18,973	20,968	1,995
Other Revenues	12,300	18,806	18,911	105
Total Revenues	2,713,685	2,667,267	2,724,513	57,246
Other Financing Sources				
Transfers In	225,000	225,000	235,000	10,000
Total Revenues and Other Financing Sources	2,938,685	2,892,267	2,959,513	67,246
Expenditures				
Salaries and Payroll Taxes	1,299,680	1,243,225	1,234,298	8,927
Fringe Benefits	205,000	202,570	207,085	(4,515)
Operating Supplies	303,000	296,250	285,849	10,401
Facilities	72,000	88,850	89,495	(645)
Professional Services	175,980	166,480	162,687	3,793
Insurance	15,000	17,845	17,845	--
Dues and Subscriptions	13,000	14,500	12,580	1,920
Utilities	46,000	44,695	42,470	2,225
Telephone	7,000	6,750	5,349	1,401
Other Expenditures	68,000	56,881	53,790	3,091
Building and Equipment	300,000	250,000	247,700	2,300
Debt Service - Principal	367,000	367,000	366,748	252
Debt Service - Interest	46,600	47,600	46,498	1,102
Total Expenditures	2,918,260	2,802,646	2,772,394	30,252
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	20,425	89,621	187,119	97,498
Net Change in Fund Balance	**20,425**	**89,621**	**187,119**	**97,498**
Fund Balance at Beginning of Period	466,028	466,028	466,028	--
Fund Balance at End of Period	$ **486,453**	$ **555,649**	$ **653,147**	$ **97,498**

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GABRIDGE & CO.

December 30, 2025

To the Library Board
Ferndale Area District Library
Ferndale, Michigan

We have audited the financial statements of the governmental activities and each major fund of the Ferndale Area District Library (the "Library") for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, 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 September 18, 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 Library are described in Note 1 to the financial statements. During the fiscal year ended, June 30, 2025, the Library implemented GASB Statement No. 101, *Compensated Absences.* As described in Note 10 to the financial statements, adoption of GASB 101 did not result in a restatement of beginning net position or fund balance. Other than the implementation of GASB 101, there were no new accounting policies adopted, and the application of existing policies was not changed. We noted no transactions entered into by the Library 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 Library's financial statements were:

- Management's estimate of the useful lives 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 current portion of compensated absences.

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. There were no such misstatements that required correction.

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 December 30, 2025.

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 the Library'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 Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

<u>Other Matters</u>

We applied certain limited procedures to the management's discussion and analysis and budgetary comparison information, 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 Library Board and management of the Library and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, MI