Santiago Library System

Annual Financial Report

For the Fiscal Year Ended June 30, 2025

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Financial Section

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Independent Auditor's Report

Administrative Council
Santiago Library System
Glendale, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Santiago Library System (System) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the System'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 governmental activities and each major fund of the Santiago Library System as of June 30, 2025, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. 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 System, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditor's Report, continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if 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 System'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 System'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 on pages 4 through 7, and the required supplementary information on page 19, 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 a report dated February 10, 2026, on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. That report can be found on pages 20 and 21.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs
Cypress, California
February 10, 2026

As management of the Santiago Library System (System), we offer readers of the System's financial statements this narrative overview and analysis of the financial activities and performance of the System for the fiscal year ended June 30, 2025. Please read it in conjunction with additional information that we have furnished in the accompanying basic financial statements, which follow this section.

Financial Highlights

- The System's net position decreased 89.28%, or $15,969, from $17,886 to $1,917, in fiscal year 2025.
- The System's total revenues decreased 45.31%, or $105,223, from $232,235 to $127,012, in fiscal year 2025.
- The System's total expenses decreased 37.09%, or $84,293, from $227,274 to $142,981, in fiscal year 2025.

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the System using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the System's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), and deferred inflows of resources. They also provide the basis for computing a rate of return, evaluating the capital structure of the System, and assessing the liquidity and financial flexibility of the System. All of the current year's revenues and expenses are accounted for in the Statement of Activities. This statement measures the success of the System's operations over the past year and can be used to determine the System's profitability and credit worthiness.

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

One of the most important questions asked about the System's finances is, "Is the System better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the System in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the System's net position and changes in it. Think of the System's net position – assets and deferred outflows of resources less liabilities and deferred inflows of resources – as one way to measure the System's financial health, or financial position. Over time, increases or decreases in the System's net position are one indicator of whether its financial health is improving or deteriorating.

Governmental Fund Financial Statements

Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental fund is used to account for essentially the same functions reported 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. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 12 through 18.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the System's budgetary information and compliance.

Government-wide Financial Analysis

Statement of Net Position

Condensed Statements of Net Position

	2025	2024	Change
Assets:			
Current assets	$ 223,656	359,487	(135,831)
Total assets	223,656	359,487	(135,831)
Liabilities:			
Current liabilites	221,739	341,601	(119,862)
Total liabilities	221,739	341,601	(119,862)
Net position:			
Unrestricted	1,917	17,886	(15,969)
Total net position	$ 1,917	17,886	(15,969)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the System, assets exceeded liabilities by $1,917 as of June 30, 2025. At the end of fiscal year 2025, the System shows a positive balance in its unrestricted net position of $1,917, that may be utilized in future years.

Government-wide Financial Analysis, continued

Statement of Activities

Condensed Statements of Activities

Governmental Activities:		2025	2024	Change
Expenses:				
System operations	$	142,981	227,274	(84,293)
Total expenses		142,981	227,274	(84,293)
Program revenues		120,352	225,575	(105,223)
General revenues		6,660	6,660	-
Total revenues		127,012	232,235	(105,223)
Changes in net position		(15,969)	4,961	(20,930)
Net position, beginning of year		17,886	12,925	4,961
Net position, end of year	$	1,917	17,886	(15,969)

The statement of activities shows how the government's net position changes during the fiscal year. In the case of the System, net position decreased 89.28%, or $15,969, from $17,886 to $1,917, in fiscal year 2025, as a result of ongoing operations.

The System's total revenues decreased 45.31%, or $105,223, from $232,235 to $127,012, in fiscal year 2025. Program revenues decreased 46.65%, or $105,223 due primarily to a decrease in California Library Services Act appropriations.

The System's total expenses decreased 37.09%, or $84,293 from $227,274 to $142,981, in fiscal year 2025, due primarily to a decrease in services and supplies.

Governmental Fund Financial Analysis

The focus of the System's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the System's financing requirements. In particular, the *unassigned fund balance* may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

As of June 30, 2025, the System's General Fund reported a fund balance of $1,917 which constitutes the System's *unassigned fund balance*, which is available for future expenditures.

General Fund Budgetary Highlights

In fiscal year 2025, actual expenditures at year end were $1,601 less than budgeted. The variance is primarily due to services and supplies being less than the budget. Actual revenues were $82 less than budgeted. The variance is primarily due to California Library Services Act appropriation being less than the budget.

The General Fund budget to actual comparison schedule can be found on page 19.

Conditions Affecting Current Financial Position

Management is unaware of any conditions, which could have a significant impact on the System's current financial position, net position, or operating results in terms of past, present, and future.

Requests for Information

The System's basic financial statements are designed to present users with a general overview of the System's finances and to demonstrate the System's accountability. If you have any questions about the report or need additional information, please contact the System's Controller at the Santiago Library System, 222 East Harvard Street, Glendale, California 91205.

Basic Financial Statements

Santiago Library System
Statement of Net Position
June 30, 2025

		2025
Assets:		
Cash and cash equivalents (note 2)	$	223,595
Accounts receivable		61
Total assets		223,656
Liabilities:		
Accounts payable and accrued expenses		46,987
Unearned revenue (note 3)		174,752
Total liabilities		221,739
Net position:		
Unrestricted		1,917
Total net position	$	1,917

See accompanying notes to the basic financial statements

Santiago Library System
Statement of Activities
For the Fiscal Year Ended June 30, 2025

Governmental Activities:		**2025**
Expenses:		
System operations:		
Services and supplies	$	142,981
Total expenses		142,981
Program revenues:		
California Library Services Act appropriations		114,532
Charges for services		5,820
Total program revenues		120,352
Net program expenses		(22,629)
General revenues:		
Member and associate dues		6,660
Total general revenues		6,660
Changes in net position		(15,969)
Net position – beginning of year		17,886
Net position – end of year	$	1,917

See accompanying notes to the basic financial statements

Santiago Library System
Reconciliation of the Balance Sheet of Governmental Type Fund to the Statement of Net Position
June 30, 2025

		General Fund		Reclassifications & Eliminations		Statement of Net Position
Assets:						
Cash and cash equivalents (note 2)	$	223,595		-		223,595
Accounts receivable		61		-		61
Total assets		223,656		-		223,656
Liabilities:						
Accounts payable and accrued expenses		46,987		-		46,987
Unearned revenue (note 3)		174,752		-		174,752
Total liabilities		221,739		-		221,739
Fund balance: (note 4)						
Unassigned		1,917		(1,917)		-
Total fund balance		1,917		(1,917)		-
Total liabilities and fund balance	$	223,656				
Net position:						
Unrestricted			$	1,917		1,917
Total net position			$	1,917		1,917
Reconciliation:						
Fund balance of governmental fund					$	1,917
Net position of governmental activities					$	1,917

See accompanying notes to the basic financial statements

Santiago Library System
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Type Fund to the Statement of Activities
For the Fiscal Year Ended June 30, 2025

	General Fund	Reclassifications & Eliminations	Statement of Activities
Expenditures/Expenses:			
System operations:			
Services and supplies	$ 142,981	-	142,981
Total expenditures/expenses	142,981	-	142,981
Program revenues:			
California State Library Act apportionment	114,532	-	114,532
Charges for services	5,820	-	5,820
Total program revenues	120,352	-	120,352
Net program expenses			(22,629)
General revenues:			
Member and associate dues	6,660	-	6,660
Total general revenues	6,660	-	6,660
Total revenues	127,012	-	
Excess of expenditures over revenues	(15,969)	15,969	-
Changes in net position	-	(15,969)	(15,969)
Fund balance/Net position – beginning of year	17,886	-	17,886
Fund balance/Net position – end of year	$ 1,917	-	1,917

Reconciliation:

Net change in fund balance of governmental fund	$ (15,969)
Changes in net position of governmental activities	$ (15,969)

See accompanying notes to the basic financial statements

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Santiago Library System (System) was originally organized in 1967 as a cooperative arrangement designed to maximize resources by providing programs and services jointly where it is mutually beneficial to the local population. An important role of the System is to facilitate the sharing of local collections, by providing delivery of materials among the member libraries. The System enhances the reference capabilities of these libraries by furnishing additional resources and expertise when needed to meet patrons' requests. The System presents workshops, arranges staff training programs, and aids in the development of additional reference tools and services. Today, the purpose of the System continues to enrich the member libraries and communities with new resources and program that benefit communities served by the member libraries.

B. Basis of Accounting and Measurement Focus

The *basic financial statements* of the System are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide Financial Statements

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the System's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the System are to be reported in three categories, if applicable: 1) charge for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charge for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grants and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Governmental Fund Financial Statements

These statements include the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance for all major governmental funds. Incorporated into these statements is a schedule to reconcile and explain the differences in fund balance as presented in these statements to the net position presented in the Government-wide Financial Statements. The System has presented its General Fund as its major fund in these statements to meet the qualifications of GASB Statement No. 34.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

B. Basis of Accounting and Measurement Focus, continued

Governmental Fund Financial Statements, continued

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary source susceptible to accrual for the System is interest earnings. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due. The System reports the following major governmental fund:

General Fund – a government's primary operating fund. It accounts for all financial resources of the System, except those required to be accounted for in another fund when necessary.

C. Financial Reporting

The System's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The System has adopted the following GASB pronouncements for the year ended June 30, 2025:

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

In December 2023, the GASB issued Statement No. 102 – *Certain Risk Disclosures*. The primary objective of this Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

D. Assets, Liabilities, and Net Position/Fund Balance

1. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements; and the reported changes in System net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

The System maintains its cash in a non-interest bearing checking account with a financial institution.

3. Accounts Receivable

Accounts receivable consists primarily of intergovernmental revenues (grants), and other miscellaneous amounts due to the System. Where applicable, receivables are reports net of an allowance for uncollectible amounts.

4. Investments and Investment Policy

The System has adopted an investment policy to deposit funds in financial institutions. Investments are to be made in a checking account at financial institutions.

Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income is comprised of interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

5. Accounts Payable

Accounts payable represent amounts due for goods and services received prior to year-end but not yet paid, as well as other short-term obligations arising from normal operations.

6. Unearned Revenue

Unearned revenue consists of grants awarded, pending its use.

7. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net investment in capital assets** – consists of capital assets, net of accumulated depreciation, and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Liabilities, and Net Position/Fund Balance, continued

7. Net Position, continued

- **Restricted** – consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** – consists of the net amount of assets that are not included in the determination of *net investment in capital assets* or *restricted* components of net position.

8. Fund balance

The governmental fund financial statements report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the System is bound to honor constraints on how specific amounts can be spent.

- **Nonspendable** – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- **Restricted** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed** – amounts that can only be used for specific purposes determined by formal action of the System's highest level of decision-making authority (the Administrative Council) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned** – amounts that are constrained by the System's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the System's special revenue funds.
- **Unassigned** – the residual classification for the System's general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

Fund Balance Policy

The purpose of the System's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising fees because of temporary revenue shortfalls or unpredicted one-time expenditures. The System believes that sound financial management principles require that sufficient funds be retained to provide a stable financial base at all times. To retain this stable financial base, the System needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the System and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned, and unassigned fund balances are considered unrestricted.

The Administrative Council establishes, modifies, or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year. When both restricted and unrestricted resources are available for use, it is the System's policy to use restricted resources first, followed by the unrestricted, committed, assigned, and unassigned resources as they are needed.

(2) Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2025, are classified as follows:

		2025
Deposits held in financial institutions	$	223,595
Total cash and cash equivalents	$	223,595

Authorized Deposits

The System has adopted an investment policy to deposit funds in financial institutions.

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The California Government Code and the System's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. Of the bank balance, up to $250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the System's name.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. The longer the maturity an investment has, the greater its fair value has sensitivity to changes in market interest rate. The System's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

(3) Unearned Revenues

Unearned revenues as of June 30, consisted of the following:

		2025
California Library Services Act appropriation	$	174,752
Total unearned revenues	$	174,752

(4) Fund Balance

Fund balance is presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned (See Note 1.D.8 for a description of these categories). A detailed schedule of fund balance and their funding composition at June 30, is as follows:

Description		2025
Unassigned:		
Operations	$	1,917
Total fund balance	$	1,917

(5) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the report date, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 103

In April 2024, the GASB issued Statement No. 103 – *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assessing a government's accountability. Also, this Statement: (1) continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI); (2) describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence; (3) requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses; (4) requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements; and (5) requires governments to present budgetary comparison information using a single method of communication—RSI.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 104

In September 2024, the GASB issued Statement No. 104 – *Disclosure of Certain Capital Assets*. The primary objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments. Also, this Statement establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this Statement apply to the financial statements of all state and local governments.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

(5) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 105

In December 2025, the GASB issued Statement No. 105 – *Subsequent Events*. The primary objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. This Statement also requires the date through which subsequent events have been evaluated to be disclosed. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. Earlier application is encouraged.

(6) Commitments and Contingencies

Grants

Grant funds received by the System are subject to audit by grantor agencies. Such audit could lead to requests for reimbursements to grantor agencies for expenditures disallowed under terms of the grant. Management of the System believes that such disallowances, if any, would not be significant.

Litigation

In the ordinary course of operations, the System is subject to claims and litigation from outside parties. After consultation with legal counsel, the System believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

(7) Subsequent Events

Events occurring after June 30, 2025, have been evaluated for possible adjustment to the financial statements or disclosure as of February 10, 2026, which is the date the financial statements were available to be issued. The System is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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Required Supplementary Information

Santiago Library System
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2025

	Adopted Original Budget	Board Approved Changes	Revised Budget	Actual Budgetary Basis	Variance Positive (Negative)
Expenditures:					
System operations:					
Services and supplies	$ 144,582	-	144,582	142,981	1,601
Total expenditures	144,582	-	144,582	142,981	1,601
Program revenues:					
California Library Services Act appropriation	115,434	-	115,434	114,532	(902)
Charges for services	5,000	-	5,000	5,820	820
Total program revenues	120,434	-	120,434	120,352	(82)
General revenues:					
Member and associate dues	6,660	-	6,660	6,660	-
Total general revenues	6,660	-	6,660	6,660	-
Total revenues	127,094	-	127,094	127,012	(82)
Excess of expenditures over revenues	(17,488)	-	(17,488)	(15,969)	1,519
Fund balance, beginning of year	17,886		17,886	17,886	
Fund balance, end of year	$ 398		398	1,917	

Notes to Required Supplementary Information

(1) Budgets and Budgetary Data

The System follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year the System prepares and submits an operating budget to the Administrative Council for the General Fund no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Administrative Council must approve all supplemental appropriations to the budget and transfers between major accounts.

The System presents a comparison of the annual budget to actual results for the General Fund at the functional expenditure-type major object level for financial reporting purposes.

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Report on Internal Controls and Compliance

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on the Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Administrative Council
Santiago Library System
Glendale, California

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 Santiago Library System (System) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprises the System's basic financial statements, and have issued our report thereon dated February 10, 2026.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the 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 System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System'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 determination of financial statement amounts. 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*.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on the Audit of Financial Statements Performed in Accordance with *Government Auditing Standards,* continued

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.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs
Cypress, California
February 10, 2026