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**HENIKA DISTRICT LIBRARY
ALLEGAN COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2025**

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Library Board
Henika District Library
Wayland, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Henika District Library (the "Library"), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Library, as of December 31, 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.

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, pension schedules, and 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, PLC
Grand Rapids, Michigan
April 21, 2026

DRAFT

Management's Discussion and Analysis

Henika District Library Management's Discussion and Analysis December 31, 2025

As management of the Henika District Library, we offer readers of the Henika District Library's (the "Library" or "government") financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended December 31, 2025. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

- The assets and deferred outflows of the Library exceeded its liabilities and deferred inflows at the close of this fiscal year by \$1,424,367 (shown as *net position*). Unrestricted net position has a balance of \$986,094.
- During the year, the Library received \$604,827 in revenues and incurred \$484,427 in expenses, resulting in an increase in net position of \$120,400.
- The general fund increased its fund balance by \$82,887 during the year for an ending fund balance of \$1,006,928.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,006,928, or 192.9% of the general fund's total annual 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 *statement of net position* presents information on all of the Library's assets, deferred outflows/inflows, 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 *statement 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., net pension liability and capital asset activity).

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 a governmental fund. 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. Governmental funds for the Library include the general fund.

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 explains the information presented in the financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of overall financial position. In the case of the Library, assets and deferred outflows exceeded liabilities and deferred inflows by \$1,424,367 at the close of the most recent fiscal year. The following table illustrates the varying results of the governmental activities that combine to capture the Library's total net position.

Henika District Library's Net Position

ASSETS	2025	2024
<i>Current Assets</i>		
Cash and Investments	\$ 954,497	\$ 908,095
Property Taxes Receivable	521,910	455,462
Other Receivables	20,000	-
Due from Other Governments	2,217	2,084
Total Current Assets	1,498,624	1,365,641
<i>Noncurrent Assets</i>		
Capital Assets, net	442,455	411,278
Total Assets	1,941,079	1,776,919
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferred Outflows	62,186	71,582
Total Deferred Outflows of Resources	62,186	71,582
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	3,874	1,136
Payroll Liabilities	4,583	4,029
Current Portion of Lease Liability	2,938	2,876
Total Current Liabilities	11,395	8,041
<i>Noncurrent Liabilities</i>		
Net Pension Liability	58,816	57,871
Lease Liability	1,244	4,182
Total Liabilities	71,455	70,094
DEFERRED INFLOWS OF RESOURCES		
Taxes Levied for Subsequent Year	483,239	436,435
Pension Related Deferred Inflows	24,204	38,005
Total Deferred Inflows of Resources	507,443	474,440
NET POSITION		
Net Investment in Capital Assets	438,273	404,220
Unrestricted	986,094	899,747
Total Net Position	\$ 1,424,367	\$ 1,303,967

A significant portion of the Library's net position (\$438,273, or 30.8%) reflects its investment in capital assets (e.g., land, buildings and improvements, equipment and 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 net position is unrestricted and has a balance of \$986,094.

Changes in Assets

Total assets increased by \$164,160 from the prior year, primarily due to a \$46,402 increase in cash and investments. This growth reflects that revenues exceeded expenditures by \$82,887 during the current fiscal year, which improved the Library's overall liquidity position. Property taxes receivable rose by \$66,448, consistent with the increase in the tax roll for 2025, and is considered a reasonable fluctuation. The increase in other receivables in the current year, in the amount of \$20,000, is due to the Library using grant reimbursements that were not applicable in the prior year.

Changes in Liabilities

Total liabilities increased by \$1,361, driven in large part by a \$945 increase in the net pension liability. This incline is primarily attributed to normal changes in actuarial assumptions and investment performance. Payroll liabilities also increased by \$554, due to timing differences in payroll processing near year-end. While lease liabilities showed decreases in their current and noncurrent portions respectively, those changes are within an expected range and did not significantly affect the Library's financial obligations.

The Library's overall net position increased \$120,400 from the prior fiscal year. The following schedule summarizes the revenues, expenses, and changes in net position for the past two years:

Henika District Library's Changes in Net Position

	<u>2025</u>	<u>2024</u>
Revenues		
Program Revenues		
Charges for Services	\$ 9,303	\$ 5,603
Operating Grants and Contributions	71,557	8,387
Total Program Revenues	<u>80,860</u>	<u>13,990</u>
General Revenues		
Property Taxes	458,499	423,539
Penal Fines	33,939	34,027
State Aid	9,024	11,060
Interest Income	22,505	23,918
Total General Revenues	<u>523,967</u>	<u>492,544</u>
Total Revenues	<u>604,827</u>	<u>506,534</u>
Expenses		
Library Services	484,303	481,426
Interest on Long-term Debt	124	185
Total Expenses	<u>484,427</u>	<u>481,611</u>
Change in Net Position	120,400	24,923
<i>Net Position at Beginning of Period</i>	<u>1,303,967</u>	<u>1,279,044</u>
Net Position at End of Period	<u>\$ 1,424,367</u>	<u>\$ 1,303,967</u>

Changes in Revenues

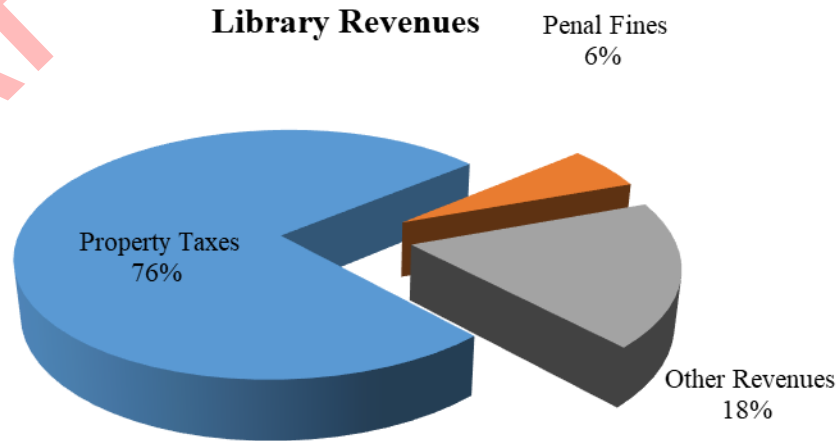
Total revenues increased by \$98,293 from the prior fiscal year. The most significant change was a \$34,960 increase in property tax revenue, which was driven by an 8.1% increase in taxable values as reported in the 2024 tax roll compared to 2023. Grants and contributions increased by \$63,170, primarily due to an increase in grants and donations compared to the prior year. Other changes in revenue, including minor fluctuations in charges for services and penal fines, were within a reasonable range.

Changes in Expenses

Total expenses increased by \$2,816 over the prior year, with the most notable change being in library services, which rose from \$481,426 to \$484,303. This \$2,877 increase is primarily due to higher costs associated with wages and benefits, as well as general inflationary pressure. The interest expense on long-term debt remained minimal and experienced an immaterial decrease.

The overall change in expenses is reflective of the operational pressures and cost environment faced by the Library in the current fiscal year.

The following chart details the Library's revenue sources for the most recent fiscal year-end:



Salaries and fringe benefit expenses were the largest expenses for the Library. The Library spent \$332,433 (net of the pension adjustments) on salaries and fringe benefits, which is roughly 68.6% of total Library expenses. Another significant expense for the Library were depreciation expense of \$41,572, roughly 8.6% of total expense.

Financial Analysis of the Government's Fund

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 fund balance of the general fund was \$1,006,928. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 192.9% of total general fund expenditures.

The fund balance of the Library's general fund increased by \$82,887 during the current fiscal year. The most significant reason for the increase was that revenues exceeded expenditures due to increased tax revenues and investment earnings, combined with disciplined spending across departments. The Board monitors the expenditures of the general fund closely to ensure that spending does not exceed the Library's available resources.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there were no significant adjustments between the original and final budgets.

Original budget compared to actual results. The Library had the following expenditures in excess of appropriations during the year:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Professional Services	\$ 18,000	\$ 18,284	\$ (284)
Building and Equipment Maintenance	62,679	74,386	(11,707)
Miscellaneous	100	225	(125)

Capital Asset and Debt Administration

Capital Assets. The Library's investment in capital assets at year-end amounted to \$442,455 (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 \$1,000. Capital assets had a net increase of \$31,177 during the year. 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.

Debt Administration. The Library's debt consists of one equipment lease payable, with an outstanding balance of \$4,182 as of the end of the year. More information can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The Library continues to diligently review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored throughout the year to identify any necessary amendments.

Looking ahead, the Library anticipates an approximate 6% increase in property tax revenues for 2026, reflecting growth in taxable values within the service area. This increase is expected to help offset rising operational costs associated with inflation, wages, and benefits.

The Library's defined benefit pension plan remains well-funded at approximately 89%, indicating a strong commitment to meeting future obligations. Management will continue to budget responsibly to maintain or improve this funding level.

The Library remains an active participant in the Lakeland Library Cooperative, which serves 42 public libraries across West Michigan. This collaboration ensures resource sharing and access to a broader range of materials for patrons.

Management acknowledges the importance of adapting to the evolving needs of the community and will continue to seek opportunities for service enhancement and fiscal responsibility.

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:

Henika District Library
149 South Main Street.
Wayland, MI 49348

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Basic Financial Statements

**Henika District Library
Statement of Net Position
December 31, 2025**

ASSETS

Current Assets

Cash and Investments	\$	954,497
Property Taxes Receivable		521,910
Other Receivables		20,000
Due from Other Governments		2,217
Total Current Assets		1,498,624

Noncurrent Assets

Capital Assets not being Depreciated		137,173
Capital Assets being Depreciated, net		305,282
Total Assets		1,941,079

DEFERRED OUTFLOWS OF RESOURCES

Pension Related Deferred Outflows		62,186
Total Deferred Outflows of Resources		62,186

LIABILITIES

Current Liabilities

Accounts Payable		3,874
Payroll Liabilities		4,583
Current Portion of Lease Liability		2,938
Total Current Liabilities		11,395

Noncurrent Liabilities

Net Pension Liability		58,816
Lease Liability		1,244
Total Liabilities		71,455

DEFERRED INFLOWS OF RESOURCES

Taxes Levied for Subsequent Year		483,239
Pension Related Deferred Inflows		24,204
Total Deferred Inflows of Resources		507,443

NET POSITION

Net Investment in Capital Assets		438,273
<i>Unrestricted</i>		986,094
Total Net Position	\$	1,424,367

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

**Henika District Library
Statement of Activities
For the Year Ended December 31, 2025**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Recreation and Culture	\$ 484,303	\$ 9,303	\$ 71,557	\$ --	\$ (403,443)
Interest on Long-term Debt	124	--	--	--	(124)
Total	\$ 484,427	\$ 9,303	\$ 71,557	\$ --	(403,567)
General Purpose Revenues:					
					9,024
					22,505
					33,939
					458,499
					523,967
					120,400
					1,303,967
					\$ 1,424,367

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

**Henika District Library
Balance Sheet
Governmental Fund
December 31, 2025**

	General
ASSETS	
Cash and Investments	\$ 954,497
Property Taxes Receivable	521,910
Other Receivables	20,000
Due from Other Governments	2,217
<i>Total Assets</i>	\$ 1,498,624
LIABILITIES	
Accounts Payable	\$ 3,874
Payroll Liabilities	4,583
<i>Total Liabilities</i>	8,457
DEFERRED INFLOWS OF RESOURCES	
Taxes Levied for Subsequent Year	483,239
<i>Total Liabilities and Deferred Inflows of Resources</i>	491,696
FUND BALANCE	
Unassigned	1,006,928
<i>Total Fund Balance</i>	1,006,928
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	\$ 1,498,624

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

Henika District Library
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position
December 31, 2025

Total Fund Balance - Governmental Fund	\$ 1,006,928
General government capital assets of \$657,770, net of accumulated depreciation of \$215,315, are not financial resources and, accordingly, are not reported in the funds.	442,455
Net pension liability, and the pension related deferrals, are not due and payable in the current period and, therefore, are not reported in the funds.	(20,834)
Long-term liabilities are not due any payable in the current period and, therefore, are not reported in the funds.	(4,182)
Total Net Position - Governmental Activities	\$ <u>1,424,367</u>

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

Henika District Library
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended December 31, 2025

	General
Revenues	
Property Taxes	\$ 458,499
Intergovernmental	38,495
Charges for Services	7,421
Penal Fines	33,939
Interest Income	22,505
Other Revenue	43,968
<i>Total Revenues</i>	604,827
Expenditures	
Salaries and Wages	219,656
Employee Benefits	76,633
Payroll Taxes	15,320
Adult and Children Materials	36,408
Professional Services	18,284
Contracted Services	31,460
Supplies	9,786
Utilities	16,738
Building and Equipment Maintenance	74,386
Advertising and Publishing	4,505
Programs	15,509
Miscellaneous	255
Debt Service - Principal	2,876
Debt Service - Interest	124
<i>Total Expenditures</i>	521,940
<i>Excess of Revenues Over</i>	
<i>(Under) Expenditures</i>	82,887
<i>Net Change in Fund Balance</i>	82,887
<i>Fund Balance at Beginning of Period</i>	924,041
<i>Fund Balance at End of Period</i>	\$ 1,006,928

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

Henika District Library
Reconciliation of Governmental Fund Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended December 31, 2025

Total Net Change in Fund Balances - Governmental Fund	\$	82,887
The change in net pension liability and the pension related deferrals, does not require the use of current resources and, accordingly, is not reported in the governmental funds.		3,460
Repayment of principal is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.		2,876
Governmental funds report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$72,749 exceeds depreciation expense of \$41,572.		31,177
Changes in Net Position - Governmental Activities	\$	<u>120,400</u>

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

Notes to the Financial Statements

Henika District Library

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Henika District Library (the “Library” or “government”) 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 Henika District Library was established under Act 24 of the Public Acts of 1989, as amended, effective April 28, 1998. The purpose of the Henika District Library is to provide library services to the City of Wayland and the Township of Wayland. The Library’s Board consists of eight appointed board members.

The financial statements include all activities of the Library. There are no governmental departments, agencies, institutions, commission, public authorities or organizations within the Library, which its appointed officials may exercise oversight responsibility, that have been excluded. Oversight responsibility is considered to be derived from the Library’s power and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability of fiscal matters.

Also, using the same criteria above, the Library’s financial statements include the accounts of all Library operations.

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 Library reports its activities as *government activities*, which normally are supported by taxes and intergovernmental revenues.

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 properly included among program revenues and are reported instead as general revenue.

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

Henika District Library

Notes to the Financial Statements

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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.

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

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.

Financial Statement Amounts

Cash and Investments

The Library's cash and investments 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.

Henika District Library

Notes to the Financial Statements

- 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.

Investments

Investments are stated at fair market value. Investments are exposed to various risks, such as significant external events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Property Tax

Property taxes are collected and forwarded to the Library by the participating municipalities. Taxes are levied on December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollected real property taxes as of the following March 1 are turned over by the participating municipalities to the Library for collection. The Library advances the Library all of these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Library. The Library recognizes all available revenue from the current tax levy.

Henika District Library

Notes to the Financial Statements

The 2024 and 2025 state taxable value for real/personal property of the Library totaled approximately \$337,229,303 and \$357,981,438, respectively.

The ad valorem taxes levied consisted of 1.3506 mills and 1.3499 mills for operations, respectively, for 2024 and 2025.

Capital Assets

Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. 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.

In accordance with GASB Statement No. 87, the Library has recognized right-of-use lease assets for leases that meet the criteria of a non-cancelable lease agreement with a term greater than 12 months. These assets represent the Library's right to use an underlying asset over the lease term and are recorded at the present value of future lease payments, adjusted for any prepayments or incentives.

Right-of-use assets are included as capital assets and amortized over the shorter of the lease term or the estimated useful life of the underlying asset using the straight-line method.

Depreciation on all assets, including right-of-use assets, is provided on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Building and improvements	10 - 50
Furniture and equipment	3 - 20
Materials	5 - 10
Right-of-use assets	3 - 20

Leases

The Library is a lessee for noncancellable leases of equipment. The Library recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the Library initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease

Henika District Library

Notes to the Financial Statements

commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Library determines; 1) the discount rate it uses to discount the expected lease payments to present value, 2) lease term, and 3) lease payments. The Library uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Library generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price (if applicable) that the Library is reasonably certain to exercise.

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

Pensions

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

Deferred Outflow /Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. At December 31, 2025, the Library reported the following pension-related items as deferred outflows of resources:

- Net difference between projected and actual earnings on pension plan investments – \$18,267
- Differences between expected and actual experience – \$7,022
- Changes in assumptions – \$14,357
- Employer contributions to the plan subsequent to the measurement date – \$22,540

Henika District Library

Notes to the Financial Statements

Total deferred outflows of resources related to pensions: \$62,186

The statement of net position also reports a separate section for deferred inflows of resources. Deferred inflows represent an acquisition of net position or fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

As of December 31, 2025, the Library reported the following items:

- Differences between expected and actual experience related to pensions – \$20,784
- Changes in assumptions - \$3,420
- Taxes levied for the subsequent fiscal year – \$483,239

Total deferred inflows of resources:

- Government-wide statements – \$507,443
- Fund statements – \$483,239

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.

Henika District Library

Notes to the Financial Statements

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 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.

Use of Estimates

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

Subsequent Events

Management has evaluated subsequent events through April 21, 2026, the date on which these financial statements were available to be issued. Nothing significant was noted.

Henika District Library

Notes to the Financial Statements

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 several, but not significant, 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.

Excess of expenditures over appropriations in budgeted funds - The Library had the expenditures in excess of the amount appropriated as of December 31, 2025:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Professional Services	\$ 18,000	\$ 18,284	\$ (284)
Building and Equipment Maintenance	62,679	74,386	(11,707)
Miscellaneous	100	225	(125)

Note 3 - Cash and Investments

The Library maintains individual fund demand deposits and certificates of deposit. The following is a reconciliation of deposit and investment balances as of December 31, 2025:

Cash and cash equivalents	\$ 954,497
Checking/savings accounts	\$ 782,095
Certificates of deposits (due within 1-3 years)	172,401
<i>Total deposits and investments</i>	<u>\$ 954,497</u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Library's deposits may not be returned. State law does not require and the Library does not have a formal custodial credit risk policy. At year-end, \$656,457 of the Library's bank balance of \$963,248 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Library mitigates this risk by evaluating each financial institution with which it deposits funds and only using those with acceptable credit profiles based on independent assessments.

Henika District Library

Notes to the Financial Statements

Interest Rate Risk. Interest rate risk is the risk that the market value of investments will decline due to changes in market interest rates. The Library’s investment holdings are limited to certificates of deposit with maturities between one and three years. State law limits the allowable investments and maturities for local governments.

Credit Risk and Concentration of Credit Risk. As of year-end, the Library held no investments in commercial paper, corporate bonds, or other instruments subject to credit or concentration of credit risk disclosure requirements under GASB 40.

Note 4 - Capital Assets

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

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>End Of Year</u>
Capital assets not being depreciated				
Land	\$ 137,173	\$ -	\$ -	\$ 137,173
Capital assets being depreciated				
Building and improvements	143,576	36,341	-	179,917
Furniture and equipment	41,113	-	-	41,113
Books and a/v material	272,287	36,408	21,756	286,939
Right-of-use asset	12,628	-	-	12,628
Subtotal	<u>469,604</u>	<u>72,749</u>	<u>21,756</u>	<u>520,597</u>
Less accumulated depreciation				
Building and improvements	38,376	9,536	-	47,912
Furniture and equipment	33,725	2,132	-	35,857
Books and a/v material	117,684	27,047	21,756	122,975
Right-of-use asset	5,714	2,857	-	8,571
Subtotal	<u>195,499</u>	<u>41,572</u>	<u>21,756</u>	<u>215,315</u>
Capital assets being depreciated, net	<u>274,105</u>	<u>31,177</u>	<u>-</u>	<u>305,282</u>
Capital assets, net	<u>\$ 411,278</u>	<u>\$ 31,177</u>	<u>\$ -</u>	<u>\$ 442,455</u>

The “Right to use asset” and related accumulated depreciation reflect the Library’s lease accounting under GASB Statement No. 87, *Leases*. These amounts represent the capitalized right-of-use asset associated with a copier lease, amortized over the lease term.

The entire balance of depreciation expense of \$41,572 for the year was applied to the recreation and culture function.

Henika District Library

Notes to the Financial Statements

Note 5 - Long-term Obligations

As of year-end, the Library has one lease classified under the requirements of GASB Statement No. 87, *Leases*. The lease relates to a copier (Ricoh IM C3000), provided under a noncancelable five-year agreement with fixed monthly payments of \$250. The lease commenced in December 2023 and continues through November 2028. The Library does not obtain ownership of the copier at the end of the lease, and the lease does not include a bargain purchase option.

The lease liability was measured at the present value of future lease payments, discounted using the Library's estimated incremental borrowing rate of 2.157%. A right-of-use asset equal to the lease liability was recognized at lease inception. The right-of-use asset is amortized on a straight-line basis over the lease term.

As of year-end, the right-of-use asset related to the copier lease had a carrying value of \$12,628, net of accumulated amortization of \$8,571.

The following summarizes the Library's lease payable:

	Beginning of Year	Reductions	End of Year	Due Within One Year
Copier lease	\$ 7,058	\$ (2,876)	\$ 4,182	\$ 2,938

The annual requirements (principal and interest) to amortize the lease payable outstanding as of December 31, 2025, are as follows:

Year Ended December 31,	Principal	Interest	Total
2026	\$ 2,938	\$ 62	\$ 3,000
2027	1,244	6	1,250
Totals	\$ 4,182	\$ 68	\$ 4,250

Note 6 - Defined Benefit Pension Plan

Plan Description

The Library's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The Library participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial

Henika District Library

Notes to the Financial Statements

report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided

The Plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. The MERS plan covers full-time employees at the Library. Retirement benefits for employees are calculated as 2.00% of the employee's three-year final average compensation times the employee's years of service, down to 1.70% after social security age. Normal retirement age is 55 with early retirement at a reduced benefit at age 50 with 25 years of service. Deferred retirement benefits vest after 6 years of credited service, but are not paid until the date retirement would have occurred had the member remained an employee. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Employees Covered by Benefit Terms

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

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	2
Inactive Plan Members Entitled To But Not Yet Receiving Benefits	1
Active Plan Members	3
<i>Total Employees Covered by MERS</i>	<u>6</u>

Contributions

State law requires public employers to make pension contributions in accordance with an actuarial valuation. MERS hires an independent actuary for this purpose and annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Library's required contribution is determined after consideration of the required contribution rate of employees.

Plan members are required to contribute 0% of their annual covered payroll to the plan. The Library is required to contribute at an actuarially-determined rate of 16.66% of annual covered payroll. The contribution requirements of plan members and the Library are established by and may be amended by the Library depending on the MERS contribution program adopted by the Library.

Henika District Library

Notes to the Financial Statements

Net Pension Liability

The net pension liability reported at December 31, 2025 was determined using a measure of the total pension liability and the pension net position as of December 31, 2024. The December 31, 2024 total pension liability was determined by an actuarial valuation performed as of that date.

Actuarial Assumptions

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

Inflation	2.50%
Salary increases	3% plus merit and longevity: 3% in the long-term
Investment rate of return	6.93%, net of pension plan investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3-4%.

Mortality rates used were based on the Pub-2010 mortality tables, with mortality improvements projected using fully generational MP-2021 scale.

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

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

Asset Class	Target Allocation	Long-term Expected Gross Return	Long-term Expected Gross Return Contribution	Inflation Assumption	Long-term Expected Real Rate of Return
Global Equity	60.00%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20.00%	4.66%	0.93%	2.50%	0.43%
Private Investments	20.00%	9.00%	1.80%	2.50%	1.30%
Total	100.00%		6.93%		4.43%

Henika District Library

Notes to the Financial Statements

Discount Rate

The discount rate used to measure the total pension liability is 7.18%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2023	\$ 530,944	\$ 473,073	\$ 57,871
<i>Changes in the Current Year:</i>			
Service Cost	15,717	-	15,717
Interest on Total Pension Liability	37,269	-	37,269
Differences Between Expected and Actual Experience	5,067	-	5,067
Changes in Assumptions	(4,275)	-	(4,275)
Contributions - Employer	-	18,853	(18,853)
Net Investment Income	-	35,015	(35,015)
Benefit Payments, including Refunds of Employee Contributions	(39,478)	(39,478)	-
Administrative Expenses	-	(1,035)	1,035
<i>Net Changes</i>	<u>14,300</u>	<u>13,355</u>	<u>945</u>
Balance at December 31, 2024	<u>\$ 545,244</u>	<u>\$ 486,428</u>	<u>\$ 58,816</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Library, calculated using the discount rate of 7.18 percent as well as what the Library's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.18) or one percentage point higher (8.18) than the current rate:

	1% Decrease	Current	1% Increase
	(6.18%)	Discount Rate	(8.18%)
	(7.18%)	(7.18%)	(8.18%)
Net Pension Liability of the Library	<u>\$ 116,467</u>	<u>\$ 58,816</u>	<u>\$ 10,467</u>

Henika District Library

Notes to the Financial Statements

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

For the year ended December 31, 2025, the Library recognized pension expense of \$19,080.

At December 31, 2025, the Library reported deferred outflow of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 18,267	\$ -
Differences Between Expected and Actual Experience	7,022	20,784
Change in Assumptions	14,357	3,420
Employer Contributions to the Plan Subsequent to the Measurement Date *	22,540	-
Totals	\$ 62,186	\$ 24,204

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending December 31, 2026.

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

Year Ending December 31,	Amount
2026	\$ 2,562
2027	16,351
2028	(3,654)
2029	183

Note 7 - 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.

REQUIRED SUPPLEMENTARY INFORMATION

Henika District Library
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended December 31, 2025

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Property Taxes	\$ 425,240	\$ 425,310	\$ 458,499	\$ 33,189
Intergovernmental	20,600	20,788	38,495	17,707
Charges for Services	4,590	6,690	7,421	731
Penal Fines	32,000	32,000	33,939	1,939
Interest Income	16,000	16,000	22,505	6,505
Other Revenue	22,292	25,792	43,968	18,176
Total Revenues	<u>520,722</u>	<u>526,580</u>	<u>604,827</u>	<u>78,247</u>
Expenditures				
Salaries and Wages	225,000	224,000	219,656	4,344
Employee Benefits	79,800	79,800	76,633	3,167
Payroll Taxes	17,000	17,000	15,320	1,680
Adult and Children Materials	38,050	38,150	36,408	1,742
Professional Services	19,000	18,000	18,284	(284)
Contracted Services	32,500	34,000	31,460	2,540
Supplies	9,600	10,100	9,786	314
Utilities	16,850	18,221	16,738	1,483
Building and Equipment Maintenance	58,542	62,679	74,386	(11,707)
Advertising and Publishing	4,850	5,100	4,505	595
Programs	16,430	16,430	15,509	921
Miscellaneous	100	100	255	(155)
Debt Service	3,000	3,000	3,000	--
Total Expenditures	<u>520,722</u>	<u>526,580</u>	<u>521,940</u>	<u>4,640</u>
Excess (Deficiency) of Revenues				
Over Expenditures	--	--	82,887	82,887
Net Change in Fund Balance	--	--	82,887	82,887
<i>Fund Balance at Beginning of Period</i>	924,041	924,041	924,041	--
Fund Balance at End of Period	<u>\$ 924,041</u>	<u>\$ 924,041</u>	<u>\$ 1,006,928</u>	<u>\$ 82,887</u>

Henika District Library
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios - MERS
Last Ten Plan Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service Cost	\$ 15,717	\$ 8,095	\$ 11,935	\$ 12,314	\$ 12,770	\$ 10,984	\$ 12,513	\$ 4,346	\$ 4,346	\$ 4,261
Interest on Total Pension Liability	37,269	37,657	36,861	41,382	38,159	37,702	33,532	33,008	36,106	34,491
Differences Between Expected and Actual Experience	5,067	(14,252)	2,332	(68,291)	5,392	1,831	38,509	(10,131)	(54,534)	(1,160)
Changes of Assumptions *	(4,275)	3,413	-	16,473	24,204	17,086	-	-	-	21,670
Benefit Payments, including Refunds of Employee Contributions	(39,478)	(38,650)	(37,822)	(37,662)	(38,123)	(37,247)	(26,089)	(23,411)	(25,878)	(26,231)
Other Changes	-	-	-	(1)	-	-	-	(1)	-	-
Net Change in Pension Liability	14,300	(3,737)	13,306	(35,785)	42,402	30,356	58,465	3,811	(39,960)	33,031
<i>Total Pension Liability - Beginning (as restated)</i>	530,944	534,681	521,375	557,160	514,758	484,402	425,937	422,126	462,086	429,055
Total Pension Liability - Ending (a)	\$ 545,244	\$ 530,944	\$ 534,681	\$ 521,375	\$ 557,160	\$ 514,758	\$ 484,402	\$ 425,937	\$ 422,126	\$ 462,086
Plan Fiduciary Net Position										
Contributions - Employer	\$ 18,853	\$ 14,356	\$ 24,141	\$ 17,660	\$ 16,139	\$ 1,355	\$ 313	\$ 3,395	\$ 645	\$ -
Net Investment Income (Loss)	35,015	48,906	(53,493)	65,768	54,232	55,707	(17,625)	56,268	45,812	(6,427)
Benefit Payments, including Refunds of Employee Contributions	(39,478)	(38,650)	(37,822)	(37,662)	(38,123)	(37,247)	(26,089)	(23,411)	(25,878)	(26,231)
Administrative Expenses	(1,035)	(1,039)	(948)	(754)	(874)	(959)	(891)	(891)	(906)	(956)
Net Change in Plan Fiduciary Net Position	13,355	23,573	(68,122)	45,012	31,374	18,856	(44,292)	35,361	19,673	(33,614)
<i>Plan Fiduciary Net Position - Beginning (as restated)</i>	473,073	449,500	517,622	472,610	441,236	422,380	466,672	431,311	411,638	445,252
Plan Fiduciary Net Position - Ending (b)	\$ 486,428	\$ 473,073	\$ 449,500	\$ 517,622	\$ 472,610	\$ 441,236	\$ 422,380	\$ 466,672	\$ 431,311	\$ 411,638
Net Pension Liability - Ending (a) - (b)	\$ 58,816	\$ 57,871	\$ 85,181	\$ 3,753	\$ 84,550	\$ 73,522	\$ 62,022	\$ (40,735)	\$ (9,185)	\$ 50,448
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	89.21%	89.10%	84.07%	99.28%	84.82%	85.72%	87.20%	109.56%	102.18%	89.08%
Covered Payroll	\$ 134,564	\$ 79,753	\$ 117,933	\$ 109,846	\$ 119,458	\$ 105,823	\$ 110,538	\$ 38,389	\$ 38,389	\$ 38,705
Net Pension Liability as a Percentage of Covered Payroll	43.71%	72.56%	72.23%	3.42%	70.78%	69.48%	56.11%	-106.11%	-23.93%	130.34%

Notes to the Schedule:

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

2015 valuation - The investment rate of return assumption was reduced from 8.25% to 8.00%. The wage inflation assumption was reduced from 4.50% to 3.75%. The price inflation rates changed from 3.00-4.00% to 3.25%. The mortality assumption was updated to be based on the RP-2014 tables.

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

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

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

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

2024 valuation - The investment rate of return assumption was reduced from 7.18% to 6.93%

**Henika District Library
Required Supplementary Information
Schedule of Contributions - MERS
Last Ten Fiscal Years**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Contribution	\$ 22,540	\$ 18,853	\$ 14,356	\$ 24,141	\$ 17,660	\$ 16,139	\$ 1,355	\$ 313	\$ 3,395	\$ 645
Contributions in Relation to the Actuarially Determined Contribution	22,540	18,853	14,356	24,141	17,660	16,139	1,355	313	3,395	645
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 135,293	\$ 134,565	\$ 79,753	\$ 117,933	\$ 109,846	\$ 119,458	\$ 105,823	\$ 110,538	\$ 38,389	\$ 38,389
Contributions as a Percentage of Covered Payroll	16.66%	14.01%	18.00%	20.47%	16.08%	13.51%	1.28%	0.28%	8.84%	1.68%

Notes to the Schedule:

Valuation Date: Actuarially determined contribution rates are calculated as of December 31 each year, which is 24 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	15 Years
Asset Valuation Method	5-year Smoothed Market
Inflation	2.5%
Salary Increases	3.00% plus merit and longevity; 3.00% in the long-term
Investment Rate of Return	6.93%, net of investment and administrative expense including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	Pub-2010 and fully generational MP-2021

April 21, 2026

To the Members of the Board
Henika District Library
Wayland, Michigan

We have audited the financial statements of the governmental activities and the major fund of the Henika District Library (the "Library") for the year ended December 31, 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 February 2, 2026. 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. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2025. 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 estimate affecting the Library's financial statements was:

- Management's estimate of the useful lives of depreciable capital assets is based on length of time it is believed that those assets will provide some economic benefit in the future.
- The assumptions used in the actuarial valuations of the pension benefit plans are based on historical trends and industry standards.

We evaluated the key factors and assumptions used to develop the useful lives of depreciable capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

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 April 21, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to 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.

Other Matters

We applied certain limited procedures to management's discussion and analysis, the budgetary comparison schedule, and the pension schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the governmental activities and the major fund of the Library as of and for the year ended December 31, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the Library'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 Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we have identified a deficiency in internal control that we consider to be a material weakness.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and corrected, on a timely basis.

We consider the following deficiency to be a material weakness:

Material audit adjustments and financial statement preparation (repeat finding):

Criteria: All governmental units in Michigan are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the management. The preparation of financial statements in accordance with GAAP requires internal controls over both: 1) recording, processing, and summarizing accounting data (i.e. maintaining internal accounting records), and 2) reporting government-wide and fund financial statements, including the related notes to the financial statements (i.e. external financial reporting).

Condition: We identified and proposed material audit adjustments that management reviewed and approved. We also assisted management with preparing the basic financial statements and the related footnotes.

As is the case with many small and medium-sized governmental units, the Library has historically relied on its independent external auditor to assist with the preparation of the financial statements, the related notes, and the management's discussion and analysis as part of its external financial reporting process. Accordingly, the Library's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditor, who cannot, by definition, be considered part of the Library's internal controls. Having the auditor draft the annual financial statements is allowable under current auditing standards and ethical guidelines and may be the most efficient and effective method for preparation of the Library's financial statements. However, when an entity (on its own) lacks the ability to produce financial statements that conform to GAAP,

or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses.

Cause: This condition was caused by the Library's decision to outsource the preparation of its annual financial statements to the external auditor rather than incur the costs of obtaining the necessary training and expertise required for the Library to perform this task internally because outsourcing the task is considered more cost effective.

Effect: The Library's accounting records were initially misstated by amounts material to the financial statements. In addition, the Library lacks complete internal controls over the preparation of its financial statements in accordance with GAAP, and, instead, relies, at least in part, on assistance from its external auditor for assistance with this task.

Auditor's Recommendation: We recommend that management continue to monitor the relative costs and benefits of securing the internal or other external resources necessary to develop material adjustments and prepare a draft of the Library's annual financial statements versus contracting with its auditor for these services.

Management Response: Management has made an ongoing evaluation of the respective costs and benefits of obtaining internal or external resources, specifically for the preparation of financial statements, and has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so. Management will continue to review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

We did not audit the Library's response to the internal control finding described above and, accordingly, we express no opinion on it.

Restriction on Use

This information is intended solely for the use of the Members of the 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, PLC
Grand Rapids, Michigan