

**WOODLANDS LIBRARY COOPERATIVE**  
Albion, Michigan

ANNUAL FINANCIAL REPORT  
2025 and 2024

**WOODLANDS LIBRARY COOPERATIVE**

**ANNUAL FINANCIAL REPORT**

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**CALKINS HEHL RAFKO**  
— CERTIFIED PUBLIC ACCOUNTANTS —

Independent Auditor's Report

To the Board of Directors  
Woodlands Library Cooperative  
Albion, Michigan 49224

***Opinions***

We have audited the accompanying financial statements of the business-type activities of the Woodlands Library Cooperative (the Cooperative), as of and for the years ended September 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Woodlands Library Cooperative as of September 30, 2025 and 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the years 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 Woodlands Library Cooperative and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***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 Woodlands Library Cooperative's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may rise 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 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 judgement 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 the internal controls 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 Woodlands Library Cooperative's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Woodlands Library Cooperative's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, 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.

**Supplementary Information**

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



Monroe, Michigan  
November 12, 2025

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## WOODLANDS LIBRARY COOPERATIVE

### *Management's Discussion and Analysis* *Year Ended September 30, 2025*

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#### **Using this Annual Report**

This annual report consists of the *Independent Auditor's Reports*, the *Management's Discussion and Analysis* (this section), the *basic financial statements*, and *other supplemental information*. The basic financial statements also include notes, which provide more detailed information for the financial statements. The statements are followed by a section of *other supplemental information*, which further explains and supports the information in the financial statements.

#### **Required Financial Statements**

The Cooperative's financial statements report information using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about their activities. The Statement of Net Position includes all of the Cooperative's assets and liabilities. This statement provides information about the nature of the assets and the obligations of the Cooperative. In addition, this statement provides the basis for evaluating the capital structure of the Cooperative and assessing the liquidity and financial flexibility of the Cooperative.

All of the revenues and expenses for the current year are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures how well the Cooperative covered the costs for services during the past year. The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to the origins of income, the uses, and the changes in the cash balance during the reporting period.

#### **Condensed Financial Information**

Table I below compares key financial information of the Cooperative's Statement of Net Position.

**Table I:**

	<b>Condensed Statement of Net Position</b>		
	<b>September 30,</b>		
	<b>(in thousands)</b>		
	<u>2025</u>	<u>2024</u>	<u>2023</u>
Total Current Assets	\$823.0	\$904.1	\$986.9
Net Capital Assets	<u>0.7</u>	<u>1.4</u>	<u>2.2</u>
Total Assets	823.7	905.5	989.1
Total Current Liabilities	<u>19.1</u>	<u>17.2</u>	<u>16.6</u>
Net Investment in Capital Assets	0.7	1.4	2.2
Unrestricted Assets	<u>803.9</u>	<u>886.9</u>	<u>970.3</u>
Total Net Position	<u>\$804.6</u>	<u>\$888.3</u>	<u>\$972.5</u>

## WOODLANDS LIBRARY COOPERATIVE

### *Management's Discussion and Analysis* *Year Ended September 30, 2025*

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#### **Condensed Financial Information (Continued)**

The Cooperative's net position decreased by \$83,659 this year compared to a decrease of \$84,209 in the prior year. Operating revenues increased approximately \$55,000, mainly due to increases in state aid and OverDrive income. Operating expenses increased approximately \$45,000, with the largest increases in salaries, delivery, IT grants and Mango languages.

The Legislature approved \$0.5432 per capita in 2024-2025 and \$0.51030 in 2023-2024. Direct and indirect state aid accounts for approximately 91% of Cooperative's operating income.

Woodlands Downloadable Library (contractual with OverDrive) was formed in 2010 and now has 47 of the 50 member libraries in the group. The Cooperative has opted to continue contracting with OverDrive for the service. The Cooperative's Ancestry Library Edition group formed in 2015 (contract with ProQuest) decreased from 31 members to 29 member libraries subscribing to the service. In 2017, the Cooperative added Consumer Reports Online, a subscription database (contract with Ebsco) for the member libraries, and in 2018, Mango Languages was added (contract with Mango Languages). During the 2022 fiscal year, an online tutoring program was added (contract with Tutor.com), and during the 2023 fiscal year, the Cooperative contracted with Midwest Tape for the addition of Hoopla. The Cooperative contracted with TN Marketing for the addition of Craft and Hobby in the 2024 fiscal year. The contract with Midwest Tape/Hoopla was not renewed in the current fiscal year.

Table II below compares key financial information of the Cooperative's Statement of Revenues, Expenses, and Changes in Net Position.

**Table II:**

	<b>Changes in Net Position</b>			
	<b>Year Ended September 30,</b>			
	<b>(in thousands)</b>			
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating Revenues	\$980.2	\$924.6	\$914.4	\$894.0
Operating Expenses	<u>1,078.9</u>	<u>1,034.0</u>	<u>1,037.3</u>	<u>889.4</u>
Operating Income	(98.7)	(109.4)	(122.9)	4.6
Net Non-operating Revenues	<u>15.0</u>	<u>25.2</u>	<u>15.9</u>	<u>(21.5)</u>
Changes in Net Position	(83.7)	(84.2)	(107.0)	(16.9)
Beginning Net Position	<u>888.3</u>	<u>972.5</u>	<u>1,079.5</u>	<u>1,096.4</u>
Ending Net Position	<u>\$804.6</u>	<u>\$888.3</u>	<u>\$972.5</u>	<u>\$1,079.5</u>

## WOODLANDS LIBRARY COOPERATIVE

### *Management's Discussion and Analysis Year Ended September 30, 2025*

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#### **Condensed Financial Information (Concluded)**

The Cooperative operates with one fund, an enterprise fund, on a full accrual basis of accounting similar to private sector companies. The Cooperative's primary source of revenue is from direct and indirect state aid. Direct state aid accounts for 46%, and indirect state aid paid by member libraries accounts for 45% of operating income. OverDrive, ancestry, associate memberships, continuing education, and interest account for the remaining 9%.

#### **Capital Assets and Debt Administration**

There were no asset additions or disposals in the current fiscal year. The depreciation expense for the year was \$635. See Note 6 for additional information.

The Cooperative does not have any debt obligations.

#### **Budgetary Highlights**

The governing board amended the budget in fiscal year 2025 to take into account the events that occurred throughout the year. Budgeted revenues were \$1,073,899 and \$1,019,988 for 2025 and 2024, respectively. Budgeted expenses were \$1,073,181 and \$1,023,860 for 2025 and 2024, respectively.

#### **Economic Factors and Next Year's Budgetary Highlights**

The 2025-2026 proposed budget for revenues is \$1,017,158. The proposed budget for expenses is \$1,014,955. These funds will be used to provide grants, professional development, technical support, and continuing education opportunities for the Cooperative's libraries.

Member libraries with Renaissance Zones or a debt millage have seen some reimbursements for lost revenues due to the personal property tax repeal passed by the state's voters in August 2015. Some member libraries are continuing to receive significant Personal Property Tax (PPT) reimbursements, allowing libraries to implement facilities repairs or upgrades. It is unknown when, or if more reimbursements are coming.

Many of our member libraries rely heavily upon their penal fines for daily library operations. Penal fines revenues fluctuated significantly again in 2025, with rates of loss varying around the cooperative. Woodlands Library Cooperative's Penal Fines Task Force has joined with the Michigan Library Association to look into this and try to understand what is happening when it comes to penal fine distribution. Member libraries relying on penal fines are also being encouraged to seek out other revenue sources to replace this declining revenue.

#### **Contacting the Cooperative's Financial Management**

This financial report is designed to provide the Cooperative's citizens, taxpayers, customers, and creditors with a general overview of the Cooperative's finances. If you have any questions about this report or need additional financial information, contact the Woodlands Library Cooperative, P. O. Box 1048, Albion, MI 49224-2135.

## **BASIC FINANCIAL STATEMENTS**

WOODLANDS LIBRARY CO-OP

Statements of Net Position  
September 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$238,894	\$318,762
Investments	358,213	368,174
Accounts receivable	3,663	0
Prepaid expenses	<u>222,261</u>	<u>217,192</u>
Total Current Assets	823,031	904,128
Capital Assets:		
Office equipment	3,273	3,273
Furniture and fixtures	1,620	1,620
Other equipment	<u>12,061</u>	<u>12,061</u>
	16,954	16,954
Less: Allowance for depreciation	<u>16,250</u>	<u>15,615</u>
Net Capital Assets	<u>704</u>	<u>1,339</u>
Total Assets	<u>823,735</u>	<u>905,467</u>
<b>Liabilities</b>		
Current Liabilities:		
Accrued vacation	<u>19,139</u>	<u>17,212</u>
<b>Net Position</b>		
Net investment in capital assets	704	1,339
Unrestricted	<u>803,892</u>	<u>886,916</u>
Total Net Position	<u>\$804,596</u>	<u>\$888,255</u>

See accompanying notes to the basic financial statements.

**WOODLANDS LIBRARY CO-OP**

*Statements of Revenues, Expenses, and Changes in Net Position  
For the years ended September 30, 2025 and 2024*

	2025	2024
<b>Operating Revenues</b>		
State aid to cooperative	\$450,840	\$423,508
State aid from members	444,917	416,849
OverDrive	53,421	49,361
Ancestry	23,414	27,380
Other	7,629	7,562
Total Operating Revenues	980,221	924,660
 <b>Operating Expenses</b>		
Programs:		
Delivery	269,482	249,918
Automation	13,500	13,500
OverDrive	77,089	82,544
Ancestry	32,233	30,594
Consumer reports	59,741	58,860
Library grants	98,000	94,000
IT grants	77,664	60,988
Hoopla	7,296	28,897
Craft and hobby	12,555	13,500
Mango languages	72,815	55,303
Tutor.com	52,594	52,594
E-magazines	25,000	25,000
Training	26,168	27,057
Other	4,400	0
	828,537	792,755
General and administrative	250,392	241,274
Total Operating Expenses	1,078,929	1,034,029
Net Operating Income (Loss)	(98,708)	(109,369)
 <b>Non-operating Revenues (Expenses)</b>		
Interest	2,519	2,274
Unrealized gains (losses)	12,530	22,886
Total Non-operating Revenues (Expenses)	15,049	25,160
 <b>Change in Net Position</b>	(83,659)	(84,209)
Net Position - Beginning of Year	888,255	972,464
Net Position - End of Year	\$804,596	\$888,255

See accompanying notes to the basic financial statements.

**WOODLANDS LIBRARY CO-OP**

*Statements of Cash Flows  
For the years ended September 30, 2025 and 2024*

	<u>2025</u>	<u>2024</u>
<b>Cash Flows from Operating Activities:</b>		
Receipts from state and members	\$976,558	\$979,591
Payments to suppliers	(947,238)	(915,050)
Payments to employees	(134,198)	(127,494)
Cash Used For Operating Activities	<u>(104,878)</u>	<u>(62,953)</u>
<b>Cash Flows from Investing Activities:</b>		
(Purchase) Redemptions in investments	9,961	171,688
Interest	2,519	2,274
Unrealized gains (losses)	12,530	22,886
Cash Provided By Investing Activities	<u>25,010</u>	<u>196,848</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>(79,868)</u>	<u>133,895</u>
Cash and Cash Equivalents - Beginning of Year	<u>318,762</u>	<u>184,867</u>
Cash and Cash Equivalents - End of Year	<u><u>\$238,894</u></u>	<u><u>\$318,762</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating Income (Loss)	(\$98,708)	(\$109,369)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	635	868
Changes in assets and liabilities:		
(Increase) Decrease in assets:		
Accounts receivable	(3,663)	54,931
Prepaid expenses	(5,069)	(9,996)
Increase (Decrease) in liabilities:		
Accrued vacation	1,927	613
Total Adjustments	<u>(6,805)</u>	<u>45,548</u>
Total cash provided by operating activities	<u><u>(\$104,878)</u></u>	<u><u>(\$62,953)</u></u>

There were no noncash investing and financing transactions for the years ending September 30, 2025 and 2024.

See accompanying notes to the basic financial statements.

## WOODLANDS LIBRARY COOPERATIVE

*Notes to Financial Statements  
Years Ended September 30, 2025 and 2024*

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### **Note 1**     **Purpose**

The financial statements of the Woodlands Library Cooperative (the Cooperative) include all accounts controlled by or dependent on the Cooperative board. The purpose of Woodlands Library Cooperative is to: (1) extend and improve access to library services and materials for each child, youth, and adult of the Cooperative region appropriate to his or her informational and recreational needs; (2) improve and strengthen resources and services of member libraries; (3) encourage continued growth and development of library services to the citizens of the State of Michigan.

### **Note 2**     **Authority**

The establishment of the Cooperative is based on Public Act 89 of 1977.

### **Note 3**     **Summary of Significant Accounting Policies**

The accounting policies of the Cooperative are in accordance with accounting principles generally accepted in the United States of America applicable to governments. The financial activities of the Cooperative are recorded within one fund, categorized and described as an enterprise fund. This enterprise fund reports operations that provide services which are financed primarily by direct and indirect state aid.

Significant accounting policies followed by the Cooperative are described below to enhance the usefulness of the financial statements to the reader:

#### **a) Basis of Accounting**

The Cooperative's financial statements are prepared on the accrual basis of accounting; consequently, revenues are recognized when they are earned and expenses are recognized when they are incurred. Operating revenues are charges for all exchange transactions for services which include direct state aid and indirect state aid. Operating expenses are all the costs necessary to provide services and conduct programs. General and administrative costs are also operating expenses. Nonoperating revenues represent revenue sources that are primarily non-exchange in nature, such as interest.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **b) Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Cooperative has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Deposits are carried at cost.

#### **c) Investments**

Investments are stated at fair market value.

**WOODLANDS LIBRARY COOPERATIVE**

*Notes to Financial Statements  
Years Ended September 30, 2025 and 2024*

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**Note 3**    **Summary of Significant Accounting Policies (Continued)**

**d) Prepaid Expenses**

Payments made to vendors for services that will benefit periods beyond September 30, 2025, are recorded as prepaid items using the consumption method. A current asset for the prepaid is recorded at the time of the purchase and an expense is reported in the year in which the services are consumed.

**e) Capital Assets**

Items capitalized are valued at cost and depreciated by the straight-line method over the estimated useful lives of the assets. The Cooperative maintains a capitalization threshold of \$1,000.

Depreciation expense was \$635 for fiscal year 2025 and \$868 for fiscal year 2024. The following estimated lives were used to determine the depreciation expense for the periods ending September 30, 2025 and 2024:

Office Equipment	5 years
Furniture	10 years
Other Equipment	3-5 years

**f) Subscription Based Information Technology Arrangements**

Subscription Based Information Technology Arrangements (SBITAs) are required to be recognized as a subscription liability and a right-to-use asset for arrangements that meet the definition of a SBITA under GASB 96. The initial subscription liability is measured at the present value of the subscription payments expected to be made during the subscription term. Right-to-use SBITA assets are initially measured at the amount equal to the initial measurement of the SBITA liability plus any SBITA payments made prior to the SBITA term, less incentives, and adding any ancillary charges necessary to place the SBITA into service. The Cooperative did not have any material SBITAs that required recognition for the year ended September 30, 2025.

**g) Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.

**h) Economic Dependency**

The Cooperative receipts approximately 91% of revenue from the State of Michigan. Due to the significance of this revenue source to the Cooperative, the Cooperative is considered economically dependent.

## WOODLANDS LIBRARY COOPERATIVE

Notes to Financial Statements  
Years Ended September 30, 2025 and 2024

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### **Note 3** **Summary of Significant Accounting Policies (Concluded)**

#### **i) Subsequent Events**

The Cooperative's management evaluated subsequent events from September 30, 2025 through November 12, 2025, the date the financial statements were available to be issued.

### **Note 4** **Deposits with Financial Institutions**

Statutes authorize Woodlands Library Cooperative to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; banker's acceptances of U.S. bank repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions which are insured with the applicable federal agency.

Public Act 367 of 1982 (known as the Surplus Funds Investment Pool Act) enables municipalities to invest surplus operating funds in investment pools managed by qualified financial institutions. At September 30, 2025, the Cooperative had invested in such a fund with a local bank. The Cooperative is able to retrieve these funds without restrictions and, accordingly, this amount is considered to be available cash. The local bank invests these funds in a variety of instruments including bonds and direct obligations of the United States, certificates of deposit, commercial paper rated within the three highest classifications by not less than two standard rating services, United States government or federal agency obligation repurchase agreements and bankers' acceptances of the United States banks.

The Cooperative believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, and since State of Michigan legislation does not require that all deposits be collateralized, it is impractical to insure all bank deposits. As a result, the Cooperative evaluates each financial institution with which it deposits Cooperative funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Board of Directors has adopted an investment policy authorizing certain types of investments and authorized the depositories: PNC Bank, Homestead Savings Bank, and Ameriprise Financial.

*Interest rate risk.* The Cooperative's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* The Cooperative will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the Cooperative's investment policy.

*Concentration of credit risk.* The Cooperative does not place any limits on the amount the Cooperative may deposit or invest in any one issuer.

## WOODLANDS LIBRARY COOPERATIVE

*Notes to Financial Statements  
Years Ended September 30, 2025 and 2024*

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### **Note 4**     **Deposits with Financial Institutions (Concluded)**

*Custodial credit risk.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the Cooperative's deposits may not be returned or the Cooperative will not be able to recover the collateral securities in the possession of an outside party. The Cooperative has \$515,313 and \$575,787 for 2025 and 2024, respectively, invested in checking accounts, money markets, and certificates of deposit. The Cooperative's deposits are insured by the FDIC in the amount of \$463,253 and \$432,359 for 2025 and 2024, respectively, with uninsured deposits of \$52,060 and \$143,428 for 2025 and 2024, respectively. The Cooperative Board approves and designates a list of authorized depository institutions. The Cooperative's investment policy does not address deposit risk.

*Foreign currency risk.* The Cooperative is not authorized to invest in investments which have this type of risk.

### **Note 5**     **Investments**

The Cooperative determines fair values by applying the following guidelines. If available, the Cooperative uses market prices in active markets for identical assets and classifies these assets as Level 1. When the market prices for similar financial instruments in an active market are not available, the Cooperative estimates fair value based on pricing models using matrix pricing and classifies these assets as Level 2. In situations where there is little or no market activity for same or similar financial instruments, the Cooperative estimates fair value using its own assumptions about future cash flows and appropriate risk-adjusted discount rates and classifies these assets as Level 3. The Cooperative did not have any Level 2 or Level 3 investments.

**WOODLANDS LIBRARY COOPERATIVE**

*Notes to Financial Statements  
Years Ended September 30, 2025 and 2024*

**Note 5 Investments (Continued)**

The Cooperative had the following fair value measurements as of September 30, 2025 and 2024 as follows:

	Fair Value Measurement Using				Balance at September 30, 2024
	Balance at September 30, 2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Investment Maturities	Rating	
Investments by Fair Value Level:					
Debt Securities:					
U.S. agency bonds	\$34,613	\$34,613	Less than 1 year	S&P AA+	\$160,000
U.S. agency bonds	0	0	1-2 years	S&P AA+	33,593
U.S. agency bonds	141,653	141,653	2-5 years	S&P AA+	0
Total Debt Securities	176,266	176,266			193,593
Certificate of deposit	181,947	181,947	Less than 1 year	Not rated	0
Certificate of deposit	0	0	1-2 years	Not rated	176,064
Total Certificates of Deposit	181,947	181,947			176,064
Total Investments Measured at Fair Value	<u>\$358,213</u>				<u>\$369,657</u>

The Cooperative's financial assets are measured on a recurring basis and are reported on September 30, 2025 and 2024 as follows:

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
U.S. agency bonds	\$168,800	\$176,266	\$187,379	\$193,593
Certificate of deposit	185,006	181,947	185,006	176,064
Total Investments	<u>\$353,806</u>	<u>\$358,213</u>	<u>\$372,385</u>	<u>\$369,657</u>

The following schedule summarizes the investment return and the classification in the Statement of Revenues, Expenses, and Changes in Net Position:

	2025	2024
Interest and dividends	\$2,519	\$2,274
Net realized and unrealized gains (losses)	12,530	22,886
Total investment return	<u>\$15,049</u>	<u>\$15,952</u>

## WOODLANDS LIBRARY COOPERATIVE

Notes to Financial Statements  
Years Ended September 30, 2025 and 2024

### **Note 5**    **Investments (Concluded)**

*Credit risk:* Woodland's Library Cooperative will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the Cooperative's investment policy.

*Concentration of credit risk* - Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. The Cooperative's investment policy requires investments will be diversified by specific maturity dates, individual financial institutions or a specific class of securities in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

*Custodial Credit Risk* - Custodial credit risk for deposits is the risk that in the event of a bank failure, the Cooperative's deposits may not be returned or be able to recover the collateral securities in the possession of an outside party. The Cooperative's investment policy requires that investments shall be undertaken in a manner that seeks to ensure the preservation of the capital in the overall portfolio. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Short-term investments in money market funds and open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

### **Note 6**    **Capital Assets**

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

	Balance at October 01, 2024	Additions	Deletions	Balance at September 30, 2025
Capital assets being depreciated:				
Office equipment	\$3,273	\$0	\$0	\$3,273
Furniture and fixtures	1,620	0	0	1,620
Other equipment	12,061	0	0	12,061
Totals at historical cost	16,954	0	0	16,954
Less accumulated depreciation:				
Office equipment	(3,274)	0	0	(3,274)
Furniture and fixtures	(1,620)	0	0	(1,620)
Other equipment	(10,721)	(635)	0	(11,356)
Total accumulated depreciation	(15,615)	(635)	0	(16,250)
Net capital assets	\$1,339	(\$635)	\$0	\$704

### **Note 7**    **State Aid to Cooperative**

The State granted aid directly to library cooperatives based on a rate per capita of \$0.5432 and \$0.5103 for fiscal years 2025 and 2024, respectively.

**WOODLANDS LIBRARY COOPERATIVE**

*Notes to Financial Statements  
Years Ended September 30, 2025 and 2024*

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**Note 8**     **State Aid from Members**

The State granted aid to public libraries is used to purchase services which are provided by the cooperative. The rate per capita of \$0.5432 for fiscal year 2025 and \$0.5103 for fiscal year 2024 was based on the "qualified" populations in the service areas of the public libraries.

**Note 9**     **Expenses**

The Cooperative incurred the following expenses to member libraries during the fiscal years ended September 30, 2025 and 2024 for contracted services and projects:

Payee	2025	2024
Monroe County Library System	\$62,926	\$60,398
Lenawee District Library	13,858	13,068
Branch District Library	13,858	13,068
Midwest Collaborative for Library Services	158,062	150,601
Jackson District Library	33,259	31,363
	\$281,963	\$268,498

**Note 10**     **Compensated Absences**

The Cooperative accrues vacation pay for its employees as of the year end. The amount of unused vacation pay was \$19,139 and \$17,212 as of September 30, 2025 and 2024, respectively.

**Note 11**     **Defined Contribution Pension Plan**

The Cooperative provides a defined contribution pension plan for employees who are at least 21 years old and have completed one year of service. The plan was through Ameriprise and was effective from August 30, 2015 through December 31, 2020. Effective January 1, 2021, the plan was transferred to the Municipal Employees' Retirement System (MERS). The Cooperative contributes 10% of the employees' wages to the plan and they are 100% vested immediately. Employees are not required to contribute to the plan. The costs for the fiscal years ending September 30, 2025 and 2024, were \$13,391 and \$12,754, respectively. For the fiscal year ending September 30, 2025, the covered payroll was \$134,198 out of a total payroll of \$145,990. For the fiscal year ending September 30, 2024, the covered payroll was \$127,540 out of a total payroll of \$130,425.

**WOODLANDS LIBRARY COOPERATIVE**

*Notes to Financial Statements  
Years Ended September 30, 2025 and 2024*

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**Note 12**    **Deferred Compensation Plan**

The Cooperative offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and administered by MERS. The Plan, available to all Cooperative employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan does allow for employees to take loans from their accounts.

All amounts of compensation deferred under the Plan, all property rights purchased with those amounts, and all income attributable to those amounts, property, or rights must be held in trust for the exclusive benefit of employees. While the contract is held by the Cooperative, the assets of the plan are held for the exclusive benefit of plan participants and their beneficiaries. The plan assets cannot be used to satisfy claims of general creditors. Therefore, the amount held in trust is not shown on the balance sheet.

## **OTHER SUPPLEMENTAL INFORMATION**

**WOODLANDS LIBRARY CO-OP**

*Schedules of General and Administrative Expenses  
September 30, 2025 and 2024*

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	<u>2025</u>	<u>2024</u>
Salaries	\$134,198	\$127,494
Board members	1,768	1,802
Payroll taxes	11,064	10,660
Employee benefits	14,700	14,946
Pension	13,391	12,754
Workers' compensation	341	330
Postage	276	820
Office supplies	426	1,211
Office internet	575	600
Periodicals	341	161
Contracted services	5,080	5,080
Professional services	6,675	5,900
Memberships	31,171	31,838
Telephone	990	959
Travel	8,396	6,366
General insurance	1,201	1,201
Repair and maintenance	2,200	3,354
Software	8,511	8,785
Bank charges	1,833	725
Other	6,620	5,420
Depreciation	635	868
	<u>\$250,392</u>	<u>\$241,274</u>



CALKINS HEHL RAFKO  
— CERTIFIED PUBLIC ACCOUNTANTS —

November 12, 2025

Woodlands Library Cooperative  
P.O. Box 1048  
Albion, MI 49224-2135

In planning and performing our audit of the basic financial statements of Woodlands Library Cooperative as of and for the year ended September 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the Woodlands Library Cooperative's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Woodlands Library Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of Woodlands Library Cooperative's internal control over financial reporting.

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 significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses *and other deficiencies that we consider to be significant deficiencies*.

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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the Woodlands Library Cooperative's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible*. The chance of the future event or events occurring is more than remote but less than likely.
- *Probable*. The future event or events are likely to occur.

We consider the following deficiency in Woodlands Library Cooperative's internal control to be a material weakness:

Financial Statements

As is the case with many smaller and medium-sized entities, Woodlands Library Cooperative relies on independent external auditors to assist in the preparation of the financial statements and footnotes. As a compensating control, Woodlands Library Cooperative carefully reviews the draft of the financial statements and notes prior to approving and accepting responsibility for their content and presentation.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in Woodlands Library Cooperative's internal control to be a significant deficiency:

Internal Control

Woodlands Library Cooperative's internal accounting control system involves only a few people and as such does not allow for many of the checks and balances of a large system. We encourage the continued involvement of the Board of Directors in the internal control process. Board involvement will also promote transparency in financial reporting.

The purpose of this communication, which is an integral part of our audit, is to describe for management and those charged with governance the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

*Callina Helen Raygo*

November 12, 2025



**CALKINS HEHL RAFKO**  
— CERTIFIED PUBLIC ACCOUNTANTS —

November 12, 2025

To the Board of Directors  
Woodlands Library Cooperative  
P.O. Box 1045  
Albion, MI 4224-2135

We have audited the financial statements of Woodlands Library Cooperative as of and for the year ended September 30, 2025, and have issued our report thereon dated November 12, 2025. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated November 9, 2025, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of the system of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the system of internal control of Woodlands Library Cooperative solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting and material weaknesses and other matters noted during our audit in a separate letter to you dated November 12, 2025.

**Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

## **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

## **Significant Risks Identified**

We have identified the following significant risks:

- Improper revenue recognition is considered an inherent risk according to GAAS
- Management override of controls is considered an inherent risk according to GAAS
- Cash receipts are considered an inherent risk according to GAAS
- Cash disbursements are considered an inherent risk according to GAAS

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Woodlands Library Cooperative is included in Note 3 to the financial statements. During the year ended September 30, 2025, Woodlands Library Cooperative implemented GASB 101, *Compensated Absences*. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates and Related Disclosures*

Accounting estimates and related disclosures are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimate affecting the financial statements is:

Management's estimate of amounts invested in capital assets is based on historical costs and management's estimated useful lives of vehicles and equipment. We have evaluated the key factors and assumptions used to develop the estimated useful lives of assets in determining that they are reasonable in relation to the financial statements as a whole and in relation to the applicable opinion units.

### *Financial Statement Disclosures*

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

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

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

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Woodlands Library Cooperative's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated November 12, 2025.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with Woodlands Library Cooperative, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Woodlands Library Cooperative's auditors.

This report is intended solely for the information and use of the board of directors, Library of Michigan, and management of Woodlands Library Cooperative and is not intended to be and should not be used by anyone other than these specified parties.



November 12, 2025