

SUPERIORLAND LIBRARY COOPERATIVE
AUDITED FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Superiorland Library Cooperative
1615 Presque Isle Avenue
Marquette, Michigan 49855

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Superiorland Library Cooperative (the Cooperative), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cooperative, as of September 30, 2019, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cooperative's basic financial statements. The Other Supplemental Information, as listed in the table contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplemental 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. Such 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 Other Supplemental Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2020, on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the

Board of Directors of the
Superiorland Library Cooperative

scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cooperative's internal control over financial reporting and compliance.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 6, 2020

Superiorland Library Cooperative

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Superiorland Library Cooperative's (the Cooperative) financial performance provides an overview of the Cooperative's financial activities for the year ended September 30, 2019. Please read it in conjunction with the financial statements, which begin as listed in the Table of Contents.

FINANCIAL HIGHLIGHTS

- Net position for the Cooperative as a whole was reported at \$526,621. Net position is comprised of 100% governmental activities. This represents a decrease of \$14,160 from prior year when net position was reported at \$540,781.
- During the year, the Cooperative's total expenses were \$809,810, while revenues from all sources totaled \$795,650 resulting in a decrease in net position of \$14,160.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (as listed in the table of contents) provide information about the activities of the Cooperative as a whole and present a longer-term view of the Cooperative's finances.

Reporting the Cooperative as a Whole

One of the most important questions asked about the Cooperative's finances is "Is the Cooperative as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Cooperative as a whole and about its activities in a way that helps answer this question. These statements include *all* assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Cooperative's *net position* and changes in them. You can think of the Cooperative's net position - the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources - as one way to measure the Cooperative's financial health, or *financial position*. Over time, *increases or decreases* in the Cooperative's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Cooperative's operating base and the condition of the Cooperative's capital assets, to assess the *overall financial health* of the Cooperative.

In the Statement of Net Position and the Statement of Activities, we report all of the Cooperative's activities as governmental activities. Federal and State grants along with contracted revenues finance most of these activities.

Reporting the Cooperative's Most Significant Funds

The Cooperative only reports one fund which is the General Fund. The fund financial statements are reported in combination with the government-wide financial statements as listed in the Table of Contents. The General Fund, a governmental fund, is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the Cooperative's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Cooperative's program.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds in reconciliations which follows each of the Statement of Net Position and Statement of Activities.

Superiorland Library Cooperative as a Whole

Table 1 provides a summary of the Cooperative's net position as of September 30, 2019 and 2018.

**Table 1
Statement of Net Position**

	2019	2018
Current and other assets	\$758,524	\$804,641
Capital assets, net	58,701	45,371
Total Assets	<u>817,225</u>	<u>850,012</u>
Deferred outflows of resources	105,643	70,399
Current liabilities	114,657	122,635
Non-current liabilities	281,590	246,471
Total Liabilities	<u>396,247</u>	<u>369,106</u>
Deferred inflows of resources	-	10,524
Net Position:		
Net investment in capital assets	58,701	45,371
Restricted	64,252	63,669
Unrestricted	403,668	431,741
Total Net Position	<u>\$526,621</u>	<u>\$540,781</u>

Net Position of the Cooperative's governmental activities stood at \$526,621. Unrestricted net position — the part of net position that could be used to finance day-to-day activities stood at \$403,668.

The \$403,668 in unrestricted net position represents the accumulated results of all past years' operations. The results of this year's operations for the Cooperative as a whole are reported in the Changes of Activities (see Table 2), which shows the changes in net position for fiscal years 2019 and 2018.

**Table 2
Statement of Activities**

	2019	2018
Program Revenues:		
Charges for services	\$310,396	\$293,686
Operating grants and contributions	156,969	140,187
General Revenues:		
Sources not restricted to specific program	321,937	310,004
Interest income	6,148	4,295
Miscellaneous	200	1,396
Total Revenues	<u>795,650</u>	<u>749,568</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table 2
Statement of Activities (Continued)

	2019	2018
Program Expenses:		
Library services	\$809,810	\$748,719
Total Expenses	<u>809,810</u>	<u>748,719</u>
Change in net position	(14,160)	849
Net Position, beginning	540,781	539,932
Net Position, Ending	<u>\$526,621</u>	<u>\$540,781</u>

The Cooperative's total revenues were \$795,650. The total cost of all programs and services was \$809,810 resulting in a decrease in net position of \$14,160 as a result of fiscal year 2019 operations. The overall change in net position of (\$14,160) is attributable to the following:

- Governmental fund change in fund balance of (\$38,139)
- Depreciation expense of (\$9,409)
- Capital outlays of \$23,554
- Loss on disposal of assets of (\$815)
- Change in net pension liability and related of \$10,736
- Change in compensated absences of (\$87)

SUPERIORLAND LIBRARY COOPERATIVE'S FUNDS

As the Cooperative completed the year, its General Fund (the only governmental fund) reported a fund balance of \$643,867 with a decrease of \$38,139 from the beginning of the year. This decrease was mostly the result of a voluntary payment of \$30,000 into the Cooperative's MERS Defined Benefit plan, along with some unusual one-time additional personnel-related expenses. The actual fund balance decrease was less than the projected decrease of \$60,131 due to a reduction of expected expenses in some budget line items during the fiscal year.

General Fund Budgetary Highlights

The Cooperative's Board adopted the fiscal year 2019 general fund budget in September 2018 and the budget was amended as required throughout the year. The final projected revenues were \$822,432 and projected expenditures were \$882,563, resulting in an anticipated decrease in the fund balance of \$60,131. The actual change in fund balance for the year was a negative \$38,139; mostly the result of a voluntary payment of \$30,000 to the Cooperative's MERS defined benefit pension plan.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Table 3 provides a summary of the Cooperative's capital assets as of September 30, 2019 and 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table 3
Capital Assets at Year-End
(Net of Accumulated Depreciation)

	2019	2018
Buildings and improvements	\$14,151	\$6,604
Furniture and fixtures	44,550	38,767
Capital Assets (Net)	\$58,701	\$45,371

During the year the Cooperative replaced a server, purchased new doors for the building and purchased a soundproof booth housed at Peter White Public Library. Depreciation charged to expense was \$9,409. Further details on capital assets can be found in the notes to the financial statements.

Debt

The Cooperative has no outstanding debt at year end.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the budget for next year, the Board anticipates conditions to remain the same for FY 2019/2020 as they were for FY 2018/2019 with some minor changes.

CONTACTING THE COOPERATIVE FINANCIAL MANAGEMENT

This financial report is designated to provide our customers, investors and creditors with a general overview of the Cooperative's finances and to show the Cooperative's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Cooperative Administrator at Superiorland Library Cooperative, 1615 Presque Isle Avenue, Marquette, Michigan 49855.

Superiorland Library Cooperative

STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET

September 30, 2019

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 672,433	\$ -	\$ 672,433
Accounts receivable	36,837	-	36,837
Other assets	9,142	-	9,142
Prepaid expenses	40,112	-	40,112
Capital assets, net of depreciation	-	58,701	58,701
TOTAL ASSETS	758,524	58,701	817,225
DEFERRED OUTFLOWS OF RESOURCES			
Change in pension investment projections	-	56,795	56,795
Employer contributions subsequent to measurement date	-	48,848	48,848
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	105,643	105,643
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 758,524		
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 14,862	\$ -	\$ 14,862
Unearned revenue	99,795	-	99,795
Other Liabilities	-	-	-
Long-term liabilities:			
Accrued paid time off	-	6,070	6,070
Net pension liability	-	275,520	275,520
TOTAL LIABILITIES	114,657	281,590	396,247
DEFERRED INFLOWS OF RESOURCES			
FUND BALANCE			
Non-spendable	40,112	(40,112)	-
Restricted	24,140	(24,140)	-
Assigned	6,070	(6,070)	-
Unassigned	573,545	(573,545)	-
TOTAL FUND BALANCE	643,867	(643,867)	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 758,524		
NET POSITION			
Net investment in capital assets		58,701	58,701
Restricted		64,252	64,252
Unrestricted		403,668	403,668
TOTAL NET POSITION		\$ 526,621	\$ 526,621

The accompanying notes to financial statements are an integral part of this statement.

Superiorland Library Cooperative

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

September 30, 2019

Total Fund Balances for Governmental Funds **\$ 643,867**

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

	\$	101,545	
Cost of capital assets		(42,844)	
Accumulated depreciation		-	58,701

Net pension liability, and related deferred (outflows)/inflows of resources, is not due and payable in the current period and is not reported in the funds.

Net pension liability	275,520		
Deferred (outflows) of resources related to net pension liability	(56,795)		
Employer contributions subsequent to measurement date	(48,848)		
Deferred inflows of resources related to net pension liability	-		(169,877)

Long-term liabilities are not due and payable in the current period and are not reported in the funds. Long-term liabilities at year-end consist of accrued paid time off.

(6,070)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 526,621

The accompanying notes to financial statements are an integral part of this statement.

Superiorland Library Cooperative

STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUNDS REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

For the year ended September 30, 2019

	General Fund	Adjustments	Statement of Activities
	<u> </u>	<u> </u>	<u> </u>
EXPENDITURES/EXPENSES:			
Library services	\$ 815,501	\$ (1,240)	\$ 814,261
Capital outlay	18,288	(23,554)	(5,266)
Loss on disposal of assets	-	815	815
	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES/EXPENSES	833,789	(23,979)	809,810
	<u> </u>	<u> </u>	<u> </u>
PROGRAM REVENUES:			
Charges for services	310,396	-	310,396
Operating grants and contributions	156,969	-	156,969
	<u> </u>	<u> </u>	<u> </u>
TOTAL PROGRAM REVENUES	467,365	-	467,365
	<u> </u>	<u> </u>	<u> </u>
NET PROGRAM EXPENSE			342,445
			<u> </u>
GENERAL REVENUES:			
State grants - unrestricted	321,937	-	321,937
Interest income	6,148	-	6,148
Miscellaneous	200	-	200
	<u> </u>	<u> </u>	<u> </u>
TOTAL GENERAL REVENUES	328,285	-	328,285
	<u> </u>	<u> </u>	<u> </u>
EXCESS OF REVENUES OVER EXPENDITURES	(38,139)	38,139	
CHANGE IN NET POSITION		(14,160)	(14,160)
FUND BALANCE/NET POSITION:			
Beginning of year	682,006		540,781
	<u> </u>		<u> </u>
END OF THE YEAR	\$ 643,867		\$ 526,621
	<u> </u>		<u> </u>

The accompanying notes to financial statements are an integral part of this statement.

Superiorland Library Cooperative

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

For the year ended September 30, 2019

Net Change in Fund Balances - Total Governmental Funds \$ (38,139)

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

	\$	(9,409)	
Depreciation expense		23,554	
Capital outlays		(815)	
Loss on Disposal of Assets		(815)	13,330

Net pension liability reported in the statement of activities does not require the use of current resources, and therefore, is not reported in the fund statements until it is due for payment. 10,736

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (87)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (14,160)

The accompanying notes to financial statements are an integral part of this statement.

SUPERIORLAND LIBRARY COOPERATIVE

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The operations of the Superiorland Library Cooperative (the Cooperative) are accounted for with a separate set of self-balancing accounts. The accounting policies of the Cooperative conform to generally accepted accounting principles as applicable to governments and the following is a summary of the more significant policies:

BASIS OF PRESENTATION

The Cooperative adopted Governmental Accounting Standards Board (GASB) Statement No. 34, which substantially revised the financial statement presentation as described below.

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the Cooperative as a whole. They include all governmental activities which are generally financed through State sources, charges for services, and other revenues. Equity is classified as net position and displayed in three components – net investment in capital assets, restricted, and unrestricted.

Fund Financial Statements

The accounts of the Cooperative are organized on the basis of funds. The operations of the Cooperative's only fund, the General Fund, are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures. The General Fund is a governmental fund and it is used to account for all financial resources of the Cooperative.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, the governmental activities are presented using the economic resource measurement focus as defined in item (b) below. In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. The General Fund governmental fund utilizes a "current financial resources" measurement focus. Only current financial assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally included on the balance sheet. The operating statement presents sources and uses of available spendable financial resources during a given period. This fund uses fund balance as its measure of available spendable resources at the end of the period.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- b. The government-wide statements utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, whether current or noncurrent, associated with their activities are reported. Government –wide fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are generally recognized when the related fund liability is incurred.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Cash and Equivalents - The Cooperative’s cash and cash equivalents as reported in the Statement of Net Position are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less. The fair value measurement of investments is based on the hierarchy established by generally accepted accounting principles, which has three levels based on the valuation inputs used to measure an asset’s fair value.

Capital Assets - The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

In the government-wide financial statements, all capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The Cooperative defines capital assets as assets with an initial, individual cost of more than \$1,000.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	50 years
Building improvements	5 – 15 years
Furniture and fixtures	3 – 20 years

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The cost of normal maintenance and repairs is charged to operations as incurred. Renewals and betterments are capitalized and depreciated over the remaining useful lives of the related properties.

Deferred Outflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Cooperative reports the following in this category:

The Cooperative reports deferred outflows of resources for change in expected and actual investment returns, assumptions, and benefits provided in its pension plan.

The Cooperative's Pension Plan has a plan year of January 1 to December 31 while the Cooperative has a fiscal year of October 1 to September 30. Under GASB 71, the contributions made to the plan subsequent to the measurement date are reported as deferred outflows of resources.

Compensated Absences - The Cooperative's policies regarding compensated absences permits employees to accumulate earned but unused personal time off. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Deferred Inflows of Resources - In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Cooperative reports the following in this category:

The Cooperative reports deferred inflows of resources for change in expected and actual investment returns, assumptions, and benefits provided in its pension plan.

Revenues - In the government-wide Statement of Activities, revenues are segregated by activity and are classified as either program revenue or general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the Cooperative's policy to use the restricted resources first.

Expenses/Expenditures - In the government-wide Statement of Activities, expenses are segregated by activity and are classified by function. In the governmental fund statements, expenditures are classified by character such as current operations and capital outlay.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Defined Benefit Pension Plan – 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.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events - Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through February 6, 2020, which is the date of the accompanying Independent Auditor's Report, which is the date the financial statements were available to be issued.

NOTE B – DEPOSITS AND INVESTMENTS:

The Cooperative's cash and equivalents, as reported in the Statement of Net Position, consisted of the following:

Cash and cash equivalents:	
Restricted	\$-
Unrestricted	672,433
	<hr/>
Total	\$672,433

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Cooperative's deposits may not be returned to it. State law does not require, and the Cooperative does not have, a deposit policy for custodial credit risk. The carrying amount of the Cooperative's deposits with financial institutions was \$672,433 and the bank balance was \$696,651. Of the bank balance, \$696,651 or approximately 100% was covered by federal depository insurance according to FDIC regulations. The bank balance is categorized as follows:

Amount insured by the FDIC	\$696,651
Amount collateralized	-
Amount uncollateralized and uninsured	-
	<hr/>
Total	\$696,651

Investments

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of September 30, 2019, the Cooperative had no investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Cooperative's investments. The Cooperative does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Risk

Michigan statutes (Act 196, PA 1997) authorize the Cooperative to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The Cooperative has no investment policy that would further limit its investment choices.

NOTE C – CAPITAL ASSETS:

Capital asset activity for the year ended September 30, 2019 is as follows:

	Balance 9/30/2018	Additions	Disposals	Balance 9/30/2019
Asset Cost:				
Buildings and improvements	\$11,110	\$8,288	\$-	\$19,398
Furniture and fixtures	86,833	15,266	(19,952)	82,147
Total Asset Cost	<u>97,943</u>	<u>23,554</u>	<u>(19,952)</u>	<u>101,545</u>
Accumulated Depreciation:				
Buildings and improvements	(4,506)	(741)	-	(5,247)
Furniture and fixtures	(48,066)	(8,668)	19,137	(37,597)
Total Accumulated Depreciation	<u>(52,572)</u>	<u>(9,409)</u>	<u>19,137</u>	<u>(42,844)</u>
Net Capital Assets	<u>\$45,371</u>	<u>\$14,145</u>	<u>(\$815)</u>	<u>\$58,701</u>

Depreciation expense charged to governmental activities was \$9,409.

NOTE D – ACCRUED PAID TIME OFF:

The entity records on the government-wide Statement of Net Position the accrued liability arising from accumulated vested personal time off which is payable to entity employees when they separate from employment. The employees are compensated for personal time off on a scale based on years of service with the Cooperative. The entity's personal time off policy provides for up to one-half of an employee's accumulated personal time off hours to be paid to the employee

NOTE D – ACCRUED PAID TIME OFF (Continued):

if they have worked with the entity for at least 8 years. For employees with less than 8 years of service, personal time off payable upon separation ranges from 10%-40% depending on the number of years employed with the Cooperative. The entity’s vacation policy provides for up to two years of an employee’s unused vacation leave to be paid to the employee. The non-current portion of accumulated personal time off payable is as follows:

	Balance 9/30/2018	Additions	Disposals	Balance 9/30/2019	Due within One Year
Paid Time Off:					
Personal time off	\$3,027	\$-	(\$1,615)	\$1,412	\$-
Vacation	2,956	1,702	-	4,658	-
Total Paid Time Off	<u>\$5,983</u>	<u>\$1,702</u>	<u>(\$1,615)</u>	<u>\$6,070</u>	<u>\$-</u>

NOTE E – FUND BALANCES – GOVERNMENTAL FUNDS:

Fund balances of the governmental funds are classified as follows:

Non-spendable — amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board of Directors is the highest level of decision-making authority for the Cooperative. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Directors.

Assigned — amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Cooperatives adopted policy, only the Board of Directors may assign amounts for specific purposes.

Unassigned — all other spendable amounts.

As of September 30, 2019, fund balances are composed of the following:

Non-spendable:	
Prepaid expenses	\$40,112
Restricted:	
Lilja Memorial Library Fund	24,140
Assigned:	
Paid time off	6,070
Unassigned	573,545
Total Fund Balances	<u>\$643,867</u>

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Board of Directors through adoption or amendment of the budget as intended for specific purpose.

NOTE E – FUND BALANCES – GOVERNMENTAL FUNDS (Continued):

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Cooperative considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Cooperative considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Directors has provided otherwise in its commitment or assignment actions.

NOTE F – DEFINED BENEFIT PENSION PLAN:

General Information about the Pension Plan:

Plan Description

The employer’s defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided

	<u>2018 Valuation</u>
General: Closed to New Hires	
Benefit Multiplier:	2.00% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	8 years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
COLA for Future Retirees:	2.50% (Non-Compound)
Employee Contributions:	4.70%
Act 88:	No

Employees covered by benefit terms

At the December 31, 2018 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	1
Active employees	0
Total	<u>5</u>

Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

NOTE F – DEFINED BENEFIT PENSION PLAN (Continued):

The contribution rates as a percentage of payroll as of December 31, 2018 valuation are as follows:

Division:	Employer	Employee
General	\$1,986/month	4.70%

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2018, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions

The total pension liability in the December 31, 2018 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.75% in the long term

Investment Rate of Return: 8.00%, net of investment expense, including inflation

The mortality table used to project the mortality experience of non-disabled plan members is a 50% male, 50% female blend of the following tables:

- The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%
- The RP-2014 Employee Mortality Tables
- The RP-2014 Juvenile Mortality Tables

The mortality table used to project the mortality experience of disabled plan members is 50% Male, 50% Female blend of RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009-2013.

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 Rate of Return	Long-Term Expected Real Rate of Return
Global Equity	55.5%	4.80%	3.41%
Global Fixed Income	18.5%	0.70%	0.23%
Real Assets	13.5%	1.31%	0.97%
Diversifying Strategies	12.5%	0.94%	0.63%
	100.0%	7.75%	5.25%

NOTE F – DEFINED BENEFIT PENSION PLAN (Continued):

Discount rate

The discount rate used to measure the total pension liability is 8.00% for 2018. 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 Net Pension Liability

Calculating the Net Pension Liability			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Pension	Net Pension Liability
	(a)	(b)	(a)-(b)
Changes in Net Pension Liability			
Balances at 12/31/2017	\$999,812	\$759,324	\$240,488
Changes for the Year:			
Service Costs	-	-	-
Interest on Total Pension Liability	76,692	-	76,692
Changes in benefits	-	-	-
Difference between expected and actual experience	3,915	-	3,915
Changes in assumption	-	-	-
Employer Contributions	-	77,467	(77,467)
Employee Contributions	-	67	(67)
Net investment Income	-	(30,482)	30,482
Benefit payments, including employee refunds	(82,325)	(82,325)	-
Administrative expense	-	(1,477)	1,477
Other changes	-	-	-
Net Changes	(1,718)	(36,750)	35,032
Balances as of 12/31/2018	<u>\$998,094</u>	<u>\$722,574</u>	<u>\$275,520</u>

Sensitivity of the Net Pension Liability to changes in the discount rate

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.00%) or 1% higher (9.00%) than the current rate.

	1% Decrease 7.00%	Current Discount Rate (8.00%)	1% Increase 9.00%
Net Pension Liability at 12/31/2018	\$275,520	\$275,520	\$275,520
Change in Net Pension Liability	90,567	-	(78,199)
	<u>\$366,087</u>	<u>\$275,520</u>	<u>\$197,321</u>

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

NOTE F – DEFINED BENEFIT PENSION PLAN (Continued):**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2019, the employer recognized pension expense of \$45,180. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences in experience	\$-	\$-
Differences in assumptions	-	-
(Excess) Deficit Investment Returns	56,795	-
Subtotal	<u>56,795</u>	<u>-</u>
Contributions subsequent to the measurement date*	48,848	
Total	<u>\$105,643</u>	

*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 September 30, 2019.

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

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future Pension Expenses)	
Plan Year Ended December 31,	Amount
2019	\$20,907
2020	6,549
2021	11,145
2022	18,194
2023	-
Thereafter	-
Total	<u>\$56,795</u>

Payable to Pension Plan

At September 30, 2019, the Cooperative reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2019.

NOTE G – DEFINED CONTRIBUTION PENSION PLAN:

Effective June 1, 2018 the Cooperative entered into an agreement with the Municipal Employees' Retirement System of Michigan ("MERS") to administer a Defined Contribution Plan for the Cooperative's employees. All employees scheduled to work more than 15 hours per week and who are not defined as "temporary employees" under the Plan agreement are eligible to participate. Benefit terms, including contribution requirements for the Plan are established and may be amended by the Board of Directors of Superiorland Library Cooperative. The Cooperative is required to contribute 9 percent of all reportable compensation while employees are not required to make any contributions. For the year ended September 30, 2019 the Cooperative recognized pension expense of \$25,066.

NOTE G – DEFINED CONTRIBUTION PENSION PLAN (Continued):

Employees become vested in the Plan after 3 years of service with the Cooperative from the date of hire. One vesting year is earned for each 12 months of continuous services. Employees are eligible for retirement under the Plan at age 65.

At September 30, 2019, the Cooperative reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2019.

NOTE H – DEFERRED COMPENSATION PLAN:

The Cooperative offers its employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. The Plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency. The amounts deferred under the Plan are held in a trust for the exclusive benefit of plan participants and their beneficiaries. The Plan's participants have the right to designate how the funds will be invested. Therefore, the Cooperative has no liability for losses under the plans.

NOTE I – REVENUES:

The Cooperative receives its revenues from Federal and State governments in the form of grants-in-aid. The Cooperative also received State support for local member libraries based on population and square miles of areas covered.

NOTE J – OPERATING LEASE COMMITMENTS:

The Cooperative has a triple net lease with Northern Michigan Library Network, a jointly governed organization, to lease a building. Future minimum rental commitments for the lease as of September 30, 2019 are as follows:

Year	
2020	\$1
2021	1
2022	1
2023	1
2024	1
2025-2028	4
Total Future Minimum Lease Payments	\$9

NOTE K – JOINTLY GOVERNED ORGANIZATION:

On March 21, 2008, Superiorland Library Cooperative joined with the Peter White Public Library Board, the Dickinson County Library, and the West Iron District Library to establish an agreement for the ownership and management of property in order to ensure the central location and continued operation of a shared automation system, technical support, and training services for member libraries. Through this agreement the member libraries established, under Public Act 7 of 1967, a separate legal entity named the Northern Michigan Library Network which shall not be operated for profit and no portion of Superiorland Library Cooperative's earnings shall inure to the benefit of the member libraries.

NOTE K – JOINTLY GOVERNED ORGANIZATION (Continued):

Upon establishment, the Northern Michigan Library Network was governed by a board consisting of seven members of which two (2) board members are appointed by Superiorland Library Cooperative, two (2) board members are appointed by the Peter White Public Library Board, two (2) board members are appointed by the Dickinson County Library, and one (1) board member is appointed by the West Iron District Library.

On January 8, 2010, the Northern Michigan Library Network Agreement between Superiorland Library Cooperative and Member Libraries was amended to add the Bayliss Public Library as a fifth participating library and to add two more members to the Superiorland Library Cooperative Board, for a total of nine voting members. In addition to the board members listed above, the board consists of two (2) members appointed by the Bayliss Public Library. Upon establishment of the Northern Michigan Library Network on March 21, 2008, Superiorland Library Cooperative sold all of its capital assets consisting of land, building, and equipment with a net book value of \$97,924 to Northern Michigan Library Network for one dollar (\$1).

NOTE L – SINGLE AUDIT:

The Cooperative's audited financial statements report a total of \$0 in federal expenditures. As the amount is less than the single audit threshold of \$750,000 an audit in accordance with the Uniform Guidance is not required.

NOTE M – NEW GASB STANDARDS:

Management of the Cooperative has reviewed the following pronouncements released by the Governmental Accounting Standards Board (GASB) that are effective in the current fiscal year for applicability. Pronouncements deemed applicable to the Cooperative's by management are described below in *Recently Issued and Adopted Accounting Pronouncements*; pronouncements not applicable are described in *Other Recently Issued Accounting Pronouncements*.

Recently Issued and Adopted Accounting Pronouncements

None.

Other Recently Issued Accounting Pronouncements

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. GASB 88 requires that additional essential information related to debt be disclosed in the notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt, and term specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Debt, for purposes of disclosure in the notes to the financial statements, is defined under this Statement as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement also requires that existing and additional information be provided for direct borrowings and direct placement of debt separately from other debt. This statement is effective for periods beginning after June 15, 2018. The Cooperative has no debt that meets the criteria for GASB 88; therefore, GASB 88 is not applicable to the Cooperative.

NOTE M – NEW GASB STANDARDS (Continued):

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. Under the Statement recognition occurs when the liability is both incurred and reasonably estimable. It requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. It requires similar disclosures for a government's minority shares of AROs. This statement is effective for periods beginning after June 15, 2018. The Cooperative does not have any AROs that meet the criteria for GASB 83; therefore, GASB 83 is not applicable to the Cooperative.

NOTE N – UPCOMING CHANGES IN ACCOUNTING STANDARDS:

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the Cooperative in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the Cooperative.

GASB 84: Fiduciary Activities

Effective for fiscal years beginning after December 15, 2018 (Cooperative's fiscal year 2020)

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Statement identifies four types of fiduciary funds that should be reported, as applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

GASB 87: Leases

Effective for fiscal years beginning after December 15, 2019 (Cooperative's fiscal year 2021)

This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources on the payment

NOTE N – UPCOMING CHANGES IN ACCOUNTING STANDARDS (Continued):

provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB 89: Accounting for Interest Cost incurred before the end of a Construction Period *Effective for fiscal years beginning after December 15, 2019 (Cooperative's fiscal year 2021)*

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that was previously accounted for in accordance with the requirements of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statement prepared using the economic resources measurement focus.

GASB 90: Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61 *Effective for fiscal years beginning after December 15, 2018 (Cooperative's fiscal year 2020)*

This statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority interest in a legally separate organization results in a government being financially accountable for a legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit.

GASB 91: Conduit Debt Obligations *Effective for fiscal years beginning after December 15, 2020 (Cooperative's fiscal year 2022)*

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer;

NOTE N – UPCOMING CHANGES IN ACCOUNTING STANDARDS (Continued):

establishing standards for account and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having *all* of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

NOTE N – UPCOMING CHANGES IN ACCOUNTING STANDARDS (Continued):

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

NOTE O – VICTORIA WOLF ESTATE BEQUEST:

The U.P Library for the Blind, which is operated by the Superiorland Library Cooperative, was one of the beneficiaries of the estate of Victoria E. Wolf, a former U.P. Library for the Blind patron. During the fiscal year the Cooperative received one disbursement from the estate which was deposited into a CD and recorded as deferred revenue in the financial statements. As of September 30, 2019, unearned revenue related to the bequest totaled \$91,103.

**REQUIRED SUPPLEMENTAL
INFORMATION**

Superiorland Library Cooperative

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

DEFINED BENEFIT CONTRIBUTION PENSION PLAN

SCHEDULE OF CHANGES IN THE COOPERATIVE'S NET PENSION LIABILITY AND RELATED RATIOS

	Plan Year Ending December 31,				
	2018	2017	2016	2015	2014
Change in total pension liability					
Service cost	\$ -	\$ -	\$ 12,533	\$ -	\$ -
Interest	76,692	74,758	74,436	72,344	71,776
Differences between expected and actual experience	3,915	29,811	923	5,337	-
Pension changes in assumptions	-	-	-	45,511	-
Benefit payments, including refunds of member contributions	(82,325)	(78,460)	(76,736)	(75,082)	(54,696)
Other Change	-	(4)	4	-	-
Net change in total pension liability	<u>(1,718)</u>	<u>26,105</u>	<u>11,160</u>	<u>48,110</u>	<u>17,080</u>
Total pension liability, beginning	<u>999,812</u>	<u>973,707</u>	<u>962,547</u>	<u>914,437</u>	<u>897,357</u>
Total pension liability, ending (a)	<u>998,094</u>	<u>999,812</u>	<u>973,707</u>	<u>962,547</u>	<u>914,437</u>
Change in plan fiduciary net position					
Contributions - employer	77,467	43,917	9,383	3,219	4,005
Contributions - employee	67	3,415	3,366	25	1,876
Net investment income	(30,482)	90,104	75,674	(10,810)	48,349
Benefit payments, including refunds of member contributions	(82,325)	(78,460)	(76,736)	(75,082)	(54,696)
Administrative expense	(1,477)	(1,429)	(1,497)	(1,635)	(1,766)
Other change	-	(1)	-	-	-
Net change in plan fiduciary net position	<u>(36,750)</u>	<u>57,546</u>	<u>10,190</u>	<u>(84,283)</u>	<u>(2,232)</u>
Plan fiduciary net position, beginning	<u>759,324</u>	<u>701,778</u>	<u>691,588</u>	<u>775,871</u>	<u>778,103</u>
Plan fiduciary net position, ending (b)	<u>722,574</u>	<u>759,324</u>	<u>701,778</u>	<u>691,588</u>	<u>775,871</u>
Cooperative's net pension liability, ending (a) - (b)	<u>\$ 275,520</u>	<u>\$ 240,488</u>	<u>\$ 271,929</u>	<u>\$ 270,959</u>	<u>\$ 138,566</u>
Plan fiduciary net position as a percentage of the total pension liability	72.40%	75.95%	72.07%	71.85%	84.85%
Covered-employee payroll	\$ -	\$ -	\$ 71,615	\$ 6,437	\$ -
Cooperative's net pension liability as a percentage of covered payroll	0.00%	0.00%	379.71%	4209.40%	0.00%
Notes to Schedule:					
Benefit changes:	None	None	None	None	None
Assumption and Method changes:	None	None	None	None	None

Above amounts are based on measurement date, which may not necessarily tie to the fiscal year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately ten years of data will be presented.

Superiorland Library Cooperative
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
DEFINED BENEFIT CONTRIBUTION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

	Fiscal Year Ended September 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 28,272	\$ 25,752	\$ 7,956	\$ 7,304	\$ 3,949	\$ 2,991	\$ -	\$ 4,300	\$ 1,000	\$ 5,214
Contributions in relation to actuarially determined contribution	58,272	76,837	40,346	7,304	3,949	2,991	4,800	4,300	1,000	5,214
Contribution Deficiency (Excess)	<u>\$ (30,000)</u>	<u>\$ (51,085)</u>	<u>\$ (32,390)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,800)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee Payroll	\$ -	\$ 41,404	\$ 71,869	\$ 53,036	\$ 14,254	\$ 36,069	\$ 25,742	\$ 33,667	\$ 33,011	\$ 33,501
Contributions as Percentage of Covered-employee Payroll	n/a	185.58%	56.14%	13.77%	27.70%	8.29%	18.65%	12.77%	3.03%	15.56%

Notes to Schedule of Employer Contributions

Valuation date for Contribution December 31, 2016
Notes Actuarially determined contribution rates are calculated as of December 31, that is twenty-one months prior to the beginning of the fiscal year of with the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry Age
Amortization method Level percentage of payroll, open
Remaining amortization period 25 years
Asset valuation method 5 year smoothed
Inflation 2.50%
Salary increases 3.75%
Retirement age 50 with 25 years or 55 with 15 years
Investment rate of return 7.75%
Mortality rates 50% Female/50% Male RP-2014 Group Annuity Mortality Table
 Annuity Mortality Table

Superiorland Library Cooperative

GENERAL FUND

GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended September 30, 2019

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal grants	\$ -	\$ -	\$ -	\$ -
State grants - local unit membership	141,763	138,631	138,631	-
State grants	319,262	321,937	321,937	-
Private foundation grant	-	-	-	-
Interest income	2,850	5,107	6,148	1,041
Contracted service revenue	146,668	148,678	146,520	(2,158)
Donations	5,000	16,564	16,764	200
TV Whitespace Grant	-	4,435	1,574	(2,861)
Miscellaneous revenue	-	-	200	200
Rebilled supplies and equipment	80,000	70,000	53,090	(16,910)
Rebilled professional and contractual	-	1,877	1,766	(111)
Rebilled group purchases/subscriptions	100,500	115,203	109,020	(6,183)
TOTAL REVENUES	<u>796,043</u>	<u>822,432</u>	<u>795,650</u>	<u>(26,782)</u>
EXPENDITURES:				
Personnel services	298,189	331,136	323,670	7,466
Employees welfare and benefits:				
Social security	22,811	25,403	23,837	1,566
Hospitalization insurance	34,966	48,160	46,664	1,496
Life insurance	425	387	378	9
Unemployment compensation	705	1,159	1,031	128
Retirement	82,626	83,907	83,338	569
125K flex benefits	300	250	250	-
Utilities	6,152	6,078	5,553	525
Professional and contractual	88,574	82,680	78,960	3,720
Communication	2,700	2,950	2,678	272
Reimbursement	500	500	500	-
Conferences/workshops	21,170	13,936	10,577	3,359
Transportation	13,600	11,095	8,735	2,360
Printing and publishing	1,600	1,275	957	318
Promotion	2,000	-	-	-
Insurance and bonds	3,351	3,486	3,000	486
Maintenance	4,358	4,512	2,922	1,590
Membership fees	1,100	1,400	1,256	144
Subscriptions	60,856	38,960	38,934	26
Computer supplies	16,964	11,759	11,211	548
Office supplies	7,489	7,586	6,618	968
Capital outlay	10,000	18,288	18,288	-
Interest	350	576	557	19
Building lease	-	-	-	-
Contingency	-	-	-	-
Rebilled supplies and equipment	80,000	70,000	53,090	16,910
Rebilled professional and contractual	-	1,877	1,766	111
Rebilled group purchases/subscriptions	90,000	115,203	109,019	6,184
TOTAL EXPENDITURES	<u>850,786</u>	<u>882,563</u>	<u>833,789</u>	<u>48,774</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(54,743)	(60,131)	(38,139)	21,992
Fund Balance, beginning of year	682,006	682,006	682,006	-
Fund Balance, end of year	<u>\$ 627,263</u>	<u>\$ 621,875</u>	<u>\$ 643,867</u>	<u>\$ 21,992</u>

**OTHER SUPPLEMENTAL
INFORMATION**

Superiorland Library Cooperative

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the year ended September 30, 2019

	Restricted	Assigned		Unassigned	Totals
	Lilja Memorial Library Fund	Paid Time Off	GLTB Fund	General	
REVENUES:					
Federal grants	\$ -	\$ -	\$ -	\$ -	\$ -
State grants - local unit membership	-	-	-	138,631	138,631
State grants	-	-	41,073	280,864	321,937
Interest income	124	-	-	6,024	6,148
Contracted service revenue	-	-	-	146,520	146,520
Donations	-	-	2,385	14,379	16,764
Miscellaneous revenue	-	-	-	200	200
TV Whitespace Grant	-	-	-	1,574	1,574
Rebilled supplies and equipment	-	-	-	53,090	53,090
Rebilled professional and contractual	-	-	-	1,766	1,766
Rebilled group purchases/subscriptions	-	-	-	109,020	109,020
TOTAL REVENUES	124	-	43,458	752,068	795,650
EXPENDITURES:					
Personnel services	-	-	37,474	286,196	323,670
Employees welfare and benefits:					
Social security	-	-	2,915	20,922	23,837
Hospitalization insurance	-	-	-	46,664	46,664
Life insurance	-	-	-	378	378
Unemployment compensation	-	-	140	891	1,031
Retirement	-	-	2,328	81,010	83,338
125K flex benefits	-	-	-	250	250
Computer supplies	-	-	173	11,038	11,211
Operating supplies	-	-	1,857	4,761	6,618
Utilities	-	-	833	4,720	5,553
Professional and contractual	-	-	1,171	77,789	78,960
Communication	-	-	1,228	1,450	2,678
Conferences/workshops	-	-	490	10,087	10,577
Transportation	-	-	502	8,233	8,735
Printing and publishing	-	-	309	648	957
Promotion	-	-	-	-	-
Insurance and bonds	-	-	338	2,662	3,000
Maintenance	-	-	271	2,651	2,922
Membership fees	-	-	-	1,256	1,256
Subscriptions	-	-	-	38,934	38,934
Reimbursement	-	-	-	500	500
Contingency/Tech. reserve	-	-	-	-	-
Building lease	-	-	-	-	-
Capital outlay					
Land	-	-	-	-	-
Building and improvements	-	-	-	8,288	8,288
Books	-	-	-	-	-
Equipment and furniture	-	-	-	10,000	10,000
Interest	557	-	-	-	557
Rebilled supplies and equipment	-	-	-	53,090	53,090
Rebilled professional and contractual	-	-	-	1,766	1,766
Rebilled group purchases/subscriptions	-	-	-	109,019	109,019
TOTAL EXPENDITURES	557	-	50,029	783,203	833,789
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(433)	-	(6,571)	(31,135)	(38,139)

Superiorland Library Cooperative

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the year ended September 30, 2019

	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>		
	Lilja Memorial Library Fund	Paid Time Off	GLTB Fund	General	
				<u>Totals</u>	
OTHER FINANCING SOURCES (USES):					
Transfers in	\$ -	\$ 87	\$ 6,571	\$ -	\$ 6,658
Transfers (out)	-	-	-	(6,658)	(6,658)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>87</u>	<u>6,571</u>	<u>(6,658)</u>	<u>-</u>
CHANGE IN FUND BALANCES	(433)	87	-	(37,793)	(38,139)
Fund balances, beginning of year	<u>24,573</u>	<u>5,983</u>	<u>-</u>	<u>651,450</u>	<u>682,006</u>
FUND BALANCES, END OF YEAR	<u>\$ 24,140</u>	<u>\$ 6,070</u>	<u>\$ -</u>	<u>\$ 613,657</u>	<u>\$ 643,867</u>

COMPLIANCE SECTION



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

To the Board of Directors of the
Superiorland Library Cooperative
1615 Presque Isle Avenue
Marquette, Michigan 49855

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cooperative, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements and have issued our report thereon dated February 6, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Cooperative'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 Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Report to Management that we consider to be significant deficiencies item 2019-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Cooperative's Response to Findings

The Cooperative's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Cooperative's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 6, 2020

COMMUNICATIONS SECTION



Superiorland Library Cooperative
Report to Management
For the Year Ended September 30, 2019

To the Board of Directors and Management of the
Superiorland Library Cooperative
1615 Presque Isle Avenue
Marquette, Michigan 49855

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Superiorland Library Cooperative (the Cooperative) as of and for the year ended September 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Cooperative's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control.

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. However, as discussed below, we identified certain deficiencies in internal control 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, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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

SIGNIFICANT DEFICIENCIES

2019-001 SEGREGATION OF DUTIES (REPEAT)

Condition/Criteria: The size of the Cooperative's accounting and administrative staff precludes certain internal design controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Board of Directors and Management of the
Superiorland Library Cooperative

Cause of Condition: Smaller organizations, due to limited resources, are generally more sensitive to the cost of implementing these design controls and often have compensating controls to partially mitigate this deficiency.

Effect: The segregation of duties is less than optimal due to the size of the organization and could allow for a misstatement to be overlooked by management.

Recommendation: These control deficiencies can be overcome by reviewing major account reconciliations, involvement in certain cycles of operation, and financial oversight of the Cooperative's financial affairs by the Board of Directors.

Management Response-Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Director
- Corrective Action Planned:
 - See separate Corrective Action Plan
- Anticipated Completion Date:
 - Not applicable

The Cooperative's written response to the significant deficiencies identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 6, 2020



Superiorland Library Cooperative
Communication with Those Charged with Governance
For the Year Ended September 30, 2019

February 6, 2020

To the Board of Directors of the
Superiorland Library Cooperative
1615 Presque Isle Avenue
Marquette, Michigan 49855

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Superiorland Library Cooperative (the Cooperative) for the year ended September 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 11, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Cooperative are described in Note A to the financial statements. Newly adopted GASB standards are described in the notes to the financial statements. We noted no transactions entered into by the Cooperative during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the accumulated depreciation and depreciation expense is based on historical cost and estimated useful life. We evaluated the key factors and assumptions used to develop the accumulated depreciation and depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the accrued sick and vacation is based on employee pay rates and the various subsidiary ledgers maintained for hour balances. We evaluated the key factors and assumptions used to develop the accrued employee benefit balances in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the Cooperative's Net Pension Liability is based on an actuarial performed for the Municipal Employees' Retirement System of Michigan to determine its liability. We evaluated the key factors and assumptions used to develop the Cooperative's Net Pension Liability, based on information provided by the CBIZ Retirement Plan Services, in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the Cooperative's Defined Benefit Pension Plan includes significant actuarial assumptions used in calculating the valuation. CBIZ Retirement Plan Services was the actuarial company hired by the Retirement Board of the Municipal Employees' Retirement System of Michigan (MERS) for preparation of the annual actuarial valuation. A full listing of the actuarial assumptions used can be found MERS' Comprehensive Annual Financial Report of the Fiscal Year Ended December 31, 2018.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation dated February 6, 2020.

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 Cooperative’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

Our consideration of internal control was for the limited purpose described in a separate letter 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Report to Management that we consider to be significant deficiencies item 2019-001.

Other Matters

We applied certain limited procedures to required supplementary information, which is 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.

We were engaged to report on other supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Board of Directors of the
Superiorland Library Cooperative

Restriction on Use

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

Very truly yours,

Anderson, Tackman & Company, PLLC
Certified Public Accountants

Superiorland Library Cooperative

1615 Presque Isle Avenue

Marquette, MI 49855

v: (906) 228-7697 (800) 562-8985

f: (906) 228-5627

<p><i>Corrective Action Plan</i> For the Year Ended September 30, 2019</p>
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February 6, 2020

In response to the findings disclosed in the audited financial statements for the year ended September 30, 2019:

2019-001 SEGREGATION OF DUTIES (REPEAT)

Corrective Action Plan:

The Cooperative is aware of this deficiency and believes smaller organizations, due to limited resources, are generally more sensitive to the cost of implementing these design controls and often have compensating controls to partially mitigate this deficiency. The Cooperative's Board of Directors closely monitors all payments and reviews the financial statements on a monthly basis. We do not foresee the need for any changes to this procedure at this time.