

SUPERIORLAND LIBRARY COOPERATIVE
AUDITED FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

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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 Audit of the Financial Statements

Opinions

We have audited the accompanying 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, 2022, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cooperative, as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 March 26, 2023, 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 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

March 26, 2023

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, 2022. 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 \$844,087. Net position is comprised of 100% governmental activities. This represents a decrease of \$1,147 from prior year when net position was reported at \$845,234.
- During the year, the Cooperative's total expenses were \$935,756, while revenues from all sources totaled \$934,609 resulting in a decrease in net position of \$1,147.

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, 2022 and 2021.

**Table 1
Statement of Net Position**

	2022	2021
Current and other assets	\$759,090	\$771,058
Capital assets, net	360,072	372,227
Total Assets	<u>1,119,162</u>	<u>1,143,285</u>
Deferred outflows of resources	45,731	69,062
Current liabilities	71,969	86,953
Non-current liabilities	182,840	255,575
Total Liabilities	<u>254,809</u>	<u>342,528</u>
Deferred inflows of resources	65,997	24,585
Net Position:		
Net investment in capital assets	360,072	372,227
Restricted	65,771	63,082
Unrestricted	418,244	409,925
Total Net Position	<u>\$844,087</u>	<u>\$845,234</u>

Net Position of the Cooperative’s governmental activities stood at \$844,087. Unrestricted net position — the part of net position that could be used to finance day-to-day activities stood at \$418,244.

The \$418,244 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 2022 and 2021.

**Table 2
Statement of Activities**

	2022	2021
Program Revenues:		
Charges for services	\$378,189	\$323,264
Operating grants and contributions	174,663	162,210
General Revenues:		
Sources not restricted to specific program	380,198	344,971
Interest income	1,559	3,360
Miscellaneous	-	74
Total Revenues	<u>934,609</u>	<u>833,879</u>

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

**Table 2
Statement of Activities (Continued)**

	2022	2021
Program Expenses:		
Library services	\$935,756	\$836,309
Total Expenses	<u>935,756</u>	<u>836,309</u>
Change in net position	(1,147)	(2,430)
Net Position, beginning	845,234	847,664
Net Position, Ending	<u>\$844,087</u>	<u>\$845,234</u>

The Cooperative's total revenues were \$934,609. The total cost of all programs and services was \$935,756 resulting in a change in net position of (\$1,147) as a result of fiscal year 2022 operations. The overall change in net position of (\$1,147) is attributable to the following:

- Governmental fund change in fund balance of \$3,016
- Depreciation expense of (\$15,463)
- Capital outlays of \$3,308
- Change in net pension liability and related of \$11,430
- Change in compensated absences of (\$3,438)

SUPERIORLAND LIBRARY COOPERATIVE'S FUNDS

As the Cooperative completed the year, its General Fund (the only governmental fund) reported a fund balance of \$687,121 with an increase of \$3,016 from the beginning of the year. The actual fund balance increase was more than the projected decrease of \$20,158 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 2022 general fund budget in September 2021 and the budget was amended as required throughout the year. The final projected revenues were \$938,936 and projected expenditures were \$959,094, resulting in an anticipated decrease in the fund balance of \$20,158. The actual change in fund balance for the year was a positive \$3,016.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Table 3 provides a summary of the Cooperative's capital assets as of September 30, 2022 and 2021.

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

	2022	2021
Land	\$49,000	\$49,000
Buildings and improvements	274,269	281,063
Furniture and fixtures	36,803	42,164
Capital Assets (Net)	<u>\$360,072</u>	<u>\$372,227</u>

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

During the year, the Cooperative purchased four computers and disposed of some office equipment. Depreciation charged to expense was \$15,463. Further details on capital assets can be found in the notes to the financial statements.

Debt

The Cooperative had 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 2022/2023 as they were for FY 2021/2022 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, 2022

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 645,386	\$ -	\$ 645,386
Accounts receivable	58,176	-	58,176
Other assets	14,442	-	14,442
Prepaid expenses	41,086	-	41,086
Non-current Assets:			
Capital assets, net of depreciation	-	360,072	360,072
TOTAL ASSETS	759,090	360,072	1,119,162
DEFERRED OUTFLOWS OF RESOURCES			
Change in pension investment projections	-	-	-
Employer contributions subsequent to measurement date	-	45,731	45,731
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	45,731	45,731
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 759,090		
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 3,443	\$ -	\$ 3,443
Unearned revenue	62,045	-	62,045
Accrued wages	6,481	-	6,481
Non-current Liabilities:			
Accrued paid time off	-	18,723	18,723
Net pension liability	-	164,117	164,117
TOTAL LIABILITIES	71,969	182,840	254,809
DEFERRED INFLOWS OF RESOURCES			
Change in pension investment projections	-	65,997	65,997
TOTAL DEFERRED INFLOWS OF RESOURCES	-	65,997	65,997
FUND BALANCE			
Non-spendable	41,086	(41,086)	-
Restricted	24,685	(24,685)	-
Assigned	18,723	(18,723)	-
Unassigned	602,627	(602,627)	-
TOTAL FUND BALANCE	687,121	(687,121)	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 759,090		
NET POSITION			
Net investment in capital assets		360,072	360,072
Restricted		65,771	65,771
Unrestricted		418,244	418,244
TOTAL NET POSITION		\$ 844,087	\$ 844,087

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, 2022

Total Fund Balances for Governmental Funds \$ 687,121

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.

	\$	425,243	
Cost of capital assets		425,243	
Accumulated depreciation		(65,171)	360,072

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.

		164,117	
Net pension liability		164,117	
Deferred (outflows) of resources related to net pension liability		-	
Employer contributions subsequent to measurement date		(45,731)	
Deferred inflows of resources related to net pension liability		65,997	(184,383)

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.

(18,723)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 844,087

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, 2022

	General Fund	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES:			
Library services	\$ 931,593	\$ 7,471	\$ 939,064
Capital outlay	-	(3,308)	(3,308)
Loss on disposal of assets	-	-	-
	931,593	4,163	935,756
PROGRAM REVENUES:			
Charges for services	378,189	-	378,189
Operating grants and contributions	174,663	-	174,663
	552,852	-	552,852
NET PROGRAM EXPENSE			382,904
GENERAL REVENUES:			
State grants - unrestricted	380,198	-	380,198
Interest income	1,559	-	1,559
Miscellaneous	-	-	-
	381,757	-	381,757
EXCESS OF REVENUES OVER EXPENDITURES	3,016	(3,016)	
CHANGE IN NET POSITION		(1,147)	(1,147)
FUND BALANCE/NET POSITION:			
Beginning of year	684,105		845,234
END OF THE YEAR	\$ 687,121		\$ 844,087

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, 2022

Net Change in Fund Balances - Total Governmental Funds \$ 3,016

*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.

	Depreciation expense	\$ (15,463)	
	Capital outlays	3,308	
	Loss on Disposal of Assets	-	(12,155)

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. 11,430

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. (3,438)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (1,147)

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

SUPERIORLAND LIBRARY COOPERATIVE

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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 March 26, 2023, 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:	
Unrestricted	\$645,386
Restricted	-
Total	<u>\$645,386</u>

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 \$645,386 and the bank balance was \$674,843. Of the bank balance, \$674,843 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	\$674,843
Amount collateralized	-
Amount uncollateralized and uninsured	-
Total	<u>\$674,843</u>

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, 2022, 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, 2022 is as follows:

	Balance 9/30/2021	Additions	Disposals	Balance 9/30/2022
Asset Cost:				
Land	\$49,000	\$-	\$-	\$49,000
Buildings and improvements	294,398	-	-	294,398
Furniture and fixtures	94,425	3,308	(15,888)	81,845
Total Asset Cost	<u>437,823</u>	<u>3,308</u>	<u>(15,888)</u>	<u>425,243</u>
Accumulated Depreciation:				
Buildings and improvements	(13,335)	(6,794)	-	(20,129)
Furniture and fixtures	(52,261)	(8,669)	15,888	(45,042)
Total Accumulated Depreciation	<u>(65,596)</u>	<u>(15,463)</u>	<u>15,888</u>	<u>(65,171)</u>
Net Capital Assets	<u>\$372,227</u>	<u>(\$12,155)</u>	<u>\$-</u>	<u>\$360,072</u>

Depreciation expense charged to governmental activities was \$15,463.

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 9/30/2021	Additions	Disposals	Balance 9/30/2022	Due within One Year
Paid Time Off:					
Personal time off	\$1,894	\$-	(\$1,224)	\$670	\$-
Vacation	13,391	4,662	-	18,053	-
Total Paid Time Off	<u>\$15,285</u>	<u>\$4,662</u>	<u>(\$1,224)</u>	<u>\$18,723</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, 2022, fund balances are composed of the following:

Non-spendable:	
Prepaid expenses	\$41,086
Restricted:	
Lilja Memorial Library Fund	24,685
Assigned:	
Paid time off	18,723
Unassigned	602,627
Total Fund Balances	<u>\$687,121</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>2021 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%
DC Plan for New Hires:	6/1/2018
Act 88:	No

Employees covered by benefit terms

At the December 31, 2021 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	-
Total	<u>5</u>

NOTE F – DEFINED BENEFIT PENSION PLAN (Continued):

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.

The contribution rates as a percentage of payroll as of December 31, 2021 valuation are as follows:

<u>Division:</u>	<u>Employer</u>	<u>Employee</u>
General	\$3,322/month	4.70%

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2021, 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, 2021 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.00% plus merit and longevity, 3.00% in the long term

Investment Rate of Return: 7.00%, net of investment and administrative expense, including inflation

Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014-2018.

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:

NOTE F – DEFINED BENEFIT PENSION PLAN (Continued):

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global Equity	60.0%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20.0%	4.50%	0.90%	2.50%	0.40%
Private Investments	20.0%	9.50%	1.90%	2.50%	1.40%
Total	100.00%		7.00%		4.50%

Discount rate

The discount rate used to measure the total pension liability is 7.25%. 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 as of 12/31/2020	\$1,079,650	\$839,360	\$240,290
Changes for the Year:			
Service Costs	-	-	-
Interest on Total Pension Liability	78,704	-	78,704
Changes in benefits	-	-	-
Difference between expected and actual experience	6,591	-	6,591
Changes in assumption	32,477	-	32,477
Employer Contributions	-	77,639	(77,639)
Employee Contributions	-	-	-
Net investment Income	-	117,649	(117,649)
Benefit payments, including employee refunds	(88,119)	(88,119)	-
Administrative expense	-	(1,343)	1,343
Other changes	1	1	-
Net Changes	29,654	105,827	(76,173)
Balances as of 12/31/2021	\$1,109,304	\$945,187	\$164,117

NOTE F – DEFINED BENEFIT PENSION PLAN (Continued):

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 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.25%) or 1% higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Discount Rate (7.25%)	1% Increase 8.25%
Net Pension Liability at 12/31/2021	\$164,117	\$164,117	\$164,117
Change in Net Pension Liability	102,770	-	(88,570)
	<u>\$266,887</u>	<u>\$164,117</u>	<u>\$75,547</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.

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

For the year ended September 30, 2022, the employer recognized pension expense of (\$11,430). 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	-	(65,997)
Subtotal	-	<u>(65,997)</u>
Contributions subsequent to the measurement date*	45,731	
Total	<u>\$45,731</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, 2023.

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
2022	(\$8,763)
2023	(26,959)
2024	(18,831)
2025	(11,444)
2026	-
Thereafter	-
Total	<u><u>(\$65,997)</u></u>

NOTE F – DEFINED BENEFIT PENSION PLAN (Continued):

Payable to Pension Plan

At September 30, 2022, the Cooperative reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2022.

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, 2022 the Cooperative recognized pension expense of \$17,850.

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, 2022, the Cooperative reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2022.

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 – 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 K – 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 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

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of GASB 87 is to increase 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 recognize as inflows of resources or outflows of resources on the payment 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. This Statement was originally effective for periods beginning after December 15, 2019. However, under GASB 95, the effective date was postponed by 18 months, to periods beginning after June 15, 2021. The Cooperative has implemented the requirements of the activities which apply to the Cooperative under GASB 87; therefore, GASB 87 is applicable to the Cooperative.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. GASB 92 enhances comparability of accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports. This Statement also addresses reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits are also discussed along with the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements. Lastly, the Statement discusses measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature, and terminology used to refer to derivative instruments. This Statement was originally effective for periods beginning after June 15, 2020. However, under GASB 95, the effective date was postponed by one year, to periods beginning after June 15, 2021. The Cooperative does have activities that meet the criteria for GASB 92; therefore, GASB 92 is applicable to the Cooperative.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statement No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. GASB 97 increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential

NOTE K – NEW GASB STANDARDS (Continued):

component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform. This Statement also mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements. Lastly, this Statement enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This statement is effective for periods beginning after June 15, 2021. The Cooperative does have activities that meet the criteria for GASB 97; therefore, GASB 97 is applicable to the Cooperative.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objective of GASB 99 is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing 1) practice issues that have been identified during implementation and application of certain GASB Statements and 2) accounting and financial reporting for financial guarantees. GASB 99 includes requirements related to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 and are effective upon issuance. GASB 99 also has requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022 with early implementation permitted. The last requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023 with early implementation permitted. The Cooperative has implemented the requirements of the activities which apply to the Cooperative under GASB 99; therefore, GASB 99 is applicable to the Cooperative.

Other Recently Issued Accounting Pronouncements

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period*. GASB 89 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. This Statement was originally effective for periods beginning after December 15, 2019. However, under GASB 95, the effective date was postponed by one year, to periods beginning after December 15, 2020. The Cooperative does not have activities that meet the criteria for GASB 89; therefore, GASB 89 is not applicable to the Cooperative.

NOTE L – UPCOMING 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.

NOTE L – UPCOMING STANDARDS (Continued):

GASB 91: Conduit Debt Obligations

Originally effective for fiscal years beginning after December 15, 2020; postponed by GASB 95 to fiscal years beginning after December 15, 2021 (Cooperative's fiscal year 2023)

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; 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.

NOTE L – UPCOMING STANDARDS (Continued):

- 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.

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.

GASB 94: Public-Private and Public-Public Partnerships and Availability Payment Arrangements Effective for fiscal years beginning after June 15, 2022 (Cooperative's fiscal year 2023)

The requirements of this Statement will improve financial reporting by establishing the definitions of public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs.

Under this Statement, a PPP is defined as an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital assets (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Under this Statement a PPP meets the definition of a service concession arrangement (SCA) if: (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

NOTE L – UPCOMING STANDARDS (Continued):

GASB 95: Postponement of the Effective Dates of Certain Authoritative Guidance *Effective for fiscal years beginning after June 15, 2018 until below GASBs implemented (beginning with the Cooperative's fiscal year 2020)*

The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

GASB 96: Subscription-Based Information Technology Arrangements *Effective for fiscal years beginning after June 15, 2022 (Cooperative's fiscal year 2023)*

The requirements of this Statement will improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) for government end users (governments) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose

NOTE L – UPCOMING STANDARDS (Continued):

essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

GASB 100: Accounting Changes and Error Corrections – An Amendment of GASB Stmt No. 62 *Effective for fiscal years beginning after June 15, 2023 (Cooperative's fiscal year 2024)*

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

GASB 101: Compensated Absences *Effective for fiscal years beginning after December 15, 2023 (Cooperative's fiscal year 2025)*

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That

NOTE L – UPCOMING STANDARDS (Continued):

objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

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

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

NOTE M – 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. When the Cooperative received the disbursement from the estate it was deposited into a CD and recorded as deferred revenue in the financial statements. During the current fiscal year, the Cooperative did not receive any additional disbursements from the estate. As of September 30, 2022, unearned revenue related to the bequest totaled \$56,293.

**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,				
	2021	2020	2019	2018	2017
Change in total pension liability					
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	78,704	75,047	76,466	76,692	74,758
Differences between expected and actual experience	6,591	7,967	6,933	3,915	29,811
Pension changes in assumptions	32,477	52,338	33,677	-	-
Benefit payments, including refunds of member contributions	(88,119)	(86,330)	(84,542)	(82,325)	(78,460)
Other Change	1	-	-	-	(4)
Net change in total pension liability	<u>29,654</u>	<u>49,022</u>	<u>32,534</u>	<u>(1,718)</u>	<u>26,105</u>
Total pension liability, beginning	<u>1,079,650</u>	<u>1,030,628</u>	<u>998,094</u>	<u>999,812</u>	<u>973,707</u>
Total pension liability, ending (a)	<u>1,109,304</u>	<u>1,079,650</u>	<u>1,030,628</u>	<u>998,094</u>	<u>999,812</u>
Change in plan fiduciary net position					
Contributions - employer	77,639	41,987	56,415	77,467	43,917
Contributions - employee	-	-	-	67	3,415
Net investment income	117,649	95,235	97,236	(30,482)	90,104
Benefit payments, including refunds of member contributions	(88,119)	(86,330)	(84,542)	(82,325)	(78,460)
Administrative expense	(1,343)	(1,550)	(1,665)	(1,477)	(1,429)
Other change	1	-	-	-	(1)
Net change in plan fiduciary net position	<u>105,827</u>	<u>49,342</u>	<u>67,444</u>	<u>(36,750)</u>	<u>57,546</u>
Plan fiduciary net position, beginning	<u>839,360</u>	<u>790,018</u>	<u>722,574</u>	<u>759,324</u>	<u>701,778</u>
Plan fiduciary net position, ending (b)	<u>945,187</u>	<u>839,360</u>	<u>790,018</u>	<u>722,574</u>	<u>759,324</u>
Cooperative's net pension liability, ending (a) - (b)	<u>\$ 164,117</u>	<u>\$ 240,290</u>	<u>\$ 240,610</u>	<u>\$ 275,520</u>	<u>\$ 240,488</u>
Plan fiduciary net position as a percentage of the total pension liability	85.21%	77.74%	76.65%	72.40%	75.95%
Covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Cooperative's net pension liability as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%

Notes to Schedule:

Benefit changes:	NONE	NONE	NONE	NONE	NONE
Assumption and Method changes:	2021	2020	2019	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.

2021 - The investment rate of return was decreased from 7.35% to 7.00%.

2020 - Changes were made to the demographic assumptions as a result of an experience study conducted.

2019 - Investment rate of return lowered from 7.75% to 7.35%. Salary increases decreased from 3.75% to 3.00%.

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,				
	2016	2015	2014		
Change in total pension liability					
Service cost	\$ 12,533	\$ -	\$ -	\$ -	\$ -
Interest	74,436	72,344	71,776	-	-
Differences between expected and actual experience	923	5,337	-	-	-
Pension changes in assumptions	-	45,511	-	-	-
Benefit payments, including refunds of member contributions	(76,736)	(75,082)	(54,696)	-	-
Other Change	4	-	-	-	-
Net change in total pension liability	<u>11,160</u>	<u>48,110</u>	<u>17,080</u>	<u>-</u>	<u>-</u>
Total pension liability, beginning	<u>962,547</u>	<u>914,437</u>	<u>897,357</u>	<u>-</u>	<u>-</u>
Total pension liability, ending (a)	<u>973,707</u>	<u>962,547</u>	<u>914,437</u>	<u>-</u>	<u>-</u>
Change in plan fiduciary net position					
Contributions - employer	9,383	3,219	4,005	-	-
Contributions - employee	3,366	25	1,876	-	-
Net investment income	75,674	(10,810)	48,349	-	-
Benefit payments, including refunds of member contributions	(76,736)	(75,082)	(54,696)	-	-
Administrative expense	(1,497)	(1,635)	(1,766)	-	-
Other change	-	-	-	-	-
Net change in plan fiduciary net position	<u>10,190</u>	<u>(84,283)</u>	<u>(2,232)</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position, beginning	<u>691,588</u>	<u>775,871</u>	<u>778,103</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position, ending (b)	<u>701,778</u>	<u>691,588</u>	<u>775,871</u>	<u>-</u>	<u>-</u>
Cooperative's net pension liability, ending (a) - (b)	<u>\$ 271,929</u>	<u>\$ 270,959</u>	<u>\$ 138,566</u>	<u>\$ -</u>	<u>\$ -</u>
Plan fiduciary net position as a percentage of the total pension liability	72.07%	71.85%	84.85%	N/A	N/A
Covered-employee payroll	\$ 71,615	\$ 6,437	\$ -	N/A	N/A
Cooperative's net pension liability as a percentage of covered payroll	379.71%	4209.40%	N/A	N/A	N/A
Notes to Schedule:					
Benefit changes:	NONE	NONE	N/A	N/A	N/A
Assumption and Method changes:	NONE	NONE	N/A	N/A	N/A

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 PENSION PLAN

SCHEDULE OF EMPLOYER CONTRIBUTIONS

	Fiscal Year Ended September 30,				
	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 34,308	\$ 25,416	\$ 20,844	\$ 28,272	\$ 25,752
Contributions in relation to actuarially determined contribution	54,308	75,416	40,844	58,272	76,837
Contribution Deficiency (Excess)	<u>\$ (20,000)</u>	<u>\$ (50,000)</u>	<u>\$ (20,000)</u>	<u>\$ (30,000)</u>	<u>\$ (51,085)</u>
Covered-employee Payroll	\$ -	\$ -	\$ -	\$ -	\$ 41,404
Contributions as Percentage of Covered-employee Payroll	N/A	N/A	N/A	N/A	185.58%

Notes to Schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	13 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary increases	3.00%
Retirement age	50 with 25 years or 55 with 15 years
Investment rate of return	7.00%
Mortality rates	Pub-2010 and fully generational MP-2019

Previous actuarial methods and assumptions:

<i>Benefit Changes</i>	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>
<i>Changes of Assumptions</i>	<i>2021</i>	<i>2020</i>	<i>2019</i>	<i>NONE</i>	<i>NONE</i>

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

2021 - The investment rate of return was decreased from 7.35% to 7.00%.

2020 - Changes were made to the demographic assumptions as a result of an experience study conducted.

2019 - Investment rate of return lowered from 7.75% to 7.35%. Salary increases decreased from 3.75% to 3.00%.

Superiorland Library Cooperative

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

DEFINED BENEFIT CONTRIBUTION PENSION PLAN

SCHEDULE OF EMPLOYER CONTRIBUTIONS (Continued)

	Fiscal Year Ended September 30,				
	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 7,956	\$ 7,304	\$ 3,949	\$ 2,991	\$ -
Contributions in relation to actuarially determined contribution	40,346	7,304	3,949	2,991	4,800
Contribution Deficiency (Excess)	<u>\$ (32,390)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,800)</u>
Covered-employee Payroll	\$ 71,869	\$ 53,036	\$ 14,254	\$ 36,069	\$ 25,742
Contributions as Percentage of Covered-employee Payroll	56.14%	13.77%	27.70%	8.29%	18.65%

Notes to Schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	13 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary increases	3.00%
Retirement age	50 with 25 years or 55 with 15 years
Investment rate of return	7.00%
Mortality rates	Pub-2010 and fully generational MP-2019

Previous actuarial methods and assumptions:

<i>Benefit Changes</i>	NONE	NONE	NONE	NONE	NONE
<i>Changes of Assumptions</i>	NONE	NONE	NONE	NONE	NONE

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, 2022

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal grants	\$ -	\$ -	\$ -	\$ -
State grants - local unit membership	189,580	204,540	162,374	(42,166)
State grants	303,898	339,125	380,198	41,073
Private foundation grant	-	-	-	-
Interest income	5,218	1,525	1,559	34
Contracted service revenue	161,576	168,829	168,535	(294)
Donations	12,482	13,797	12,289	(1,508)
Miscellaneous revenue	-	-	-	-
Rebilled supplies and equipment	70,000	96,358	96,649	291
Rebilled professional and contractual	25,867	25,867	25,368	(499)
Rebilled group purchases/subscriptions	119,383	88,895	87,637	(1,258)
TOTAL REVENUES	888,004	938,936	934,609	(4,327)
EXPENDITURES:				
Personnel services	343,336	366,796	363,381	3,415
Employees welfare and benefits:				
Social security	26,265	27,518	26,575	943
Hospitalization insurance	67,905	68,691	68,111	580
Life insurance	426	525	425	100
Unemployment compensation	751	292	223	69
Retirement	81,950	76,481	72,158	4,323
125K flex benefits	300	250	250	-
Utilities	5,300	6,121	5,497	624
Professional and contractual	73,153	84,983	84,431	552
Communication	3,950	3,934	3,735	199
Reimbursement	-	-	-	-
Conferences/workshops	5,530	5,530	2,281	3,249
Transportation	5,950	11,625	10,680	945
Printing and publishing	1,450	1,646	1,146	500
Promotion	-	-	-	-
Insurance and bonds	3,350	5,044	5,039	5
Maintenance	4,335	4,656	3,145	1,511
Membership fees	1,450	1,713	1,442	271
Subscriptions	53,213	56,213	52,453	3,760
Computer supplies	11,580	21,466	17,265	4,201
Office supplies	4,560	4,490	3,702	788
Capital outlay	-	-	-	-
Interest	-	-	-	-
Rebilled supplies and equipment	70,000	96,358	96,809	(451)
Rebilled professional and contractual	25,867	25,867	25,368	499
Rebilled group purchases/subscriptions	119,383	88,895	87,477	1,418
TOTAL EXPENDITURES	910,004	959,094	931,593	27,501
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(22,000)	(20,158)	3,016	23,174
Fund Balance, beginning of year	684,105	684,105	684,105	-
Fund Balance, end of year	\$ 662,105	\$ 663,947	\$ 687,121	\$ 23,174

**OTHER SUPPLEMENTAL
INFORMATION**

Superiorland Library Cooperative

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended September 30, 2022

	Restricted	Assigned		Unassigned	Totals
	Lilja Memorial Library Fund	Paid Time Off	GLTB Fund	General	
REVENUES:					
Federal grants	\$ -	\$ -	\$ -	\$ -	\$ -
State grants - local unit membership	-	-	-	162,374	162,374
State grants	-	-	41,073	339,125	380,198
Interest income	201	-	-	1,358	1,559
Contracted service revenue	-	-	-	168,535	168,535
Donations	-	-	-	12,289	12,289
Miscellaneous revenue	-	-	-	-	-
Rebilled supplies and equipment	-	-	-	96,649	96,649
Rebilled professional and contractual	-	-	-	25,368	25,368
Rebilled group purchases/subscriptions	-	-	-	87,637	87,637
TOTAL REVENUES	201	-	41,073	893,335	934,609
EXPENDITURES:					
Personnel services	-	-	37,639	325,742	363,381
Employees welfare and benefits:					
Social security	-	-	2,541	24,034	26,575
Hospitalization insurance	-	-	-	68,111	68,111
Life insurance	-	-	-	425	425
Unemployment compensation	-	-	32	191	223
Retirement	-	-	1,565	70,593	72,158
125K flex benefits	-	-	-	250	250
Computer supplies	-	-	2,125	15,140	17,265
Operating supplies	-	-	415	3,287	3,702
Utilities	-	-	944	4,553	5,497
Professional and contractual	-	-	1,728	82,703	84,431
Communication	-	-	641	3,094	3,735
Conferences/workshops	-	-	-	2,281	2,281
Transportation	-	-	-	10,680	10,680
Printing and publishing	-	-	1,146	-	1,146
Promotion	-	-	-	-	-
Insurance and bonds	-	-	1,185	3,854	5,039
Maintenance	-	-	95	3,050	3,145
Membership fees	-	-	-	1,442	1,442
Subscriptions	-	-	-	52,453	52,453
Reimbursement	-	-	-	-	-
Capital outlay					
Land	-	-	-	-	-
Building and improvements	-	-	-	-	-
Books	-	-	-	-	-
Equipment and furniture	-	-	-	-	-
Interest	-	-	-	-	-
Rebilled supplies and equipment	-	-	-	96,809	96,809
Rebilled professional and contractual	-	-	-	25,368	25,368
Rebilled group purchases/subscriptions	-	-	-	87,477	87,477
TOTAL EXPENDITURES	-	-	50,056	881,537	931,593
EXCESS REVENUES OVER (UNDER) EXPENDITURES	201	-	(8,983)	11,798	3,016
OTHER FINANCING SOURCES (USES):					
Transfers in	-	3,438	8,983	-	12,421
Transfers (out)	-	-	-	(12,421)	(12,421)
TOTAL OTHER FINANCING SOURCES (USES)	-	3,438	8,983	(12,421)	-
CHANGE IN FUND BALANCES	201	3,438	-	(623)	3,016
Fund balances, beginning of year	24,484	15,285	-	644,336	684,105
FUND BALANCES, END OF YEAR	\$ 24,685	\$ 18,723	\$ -	\$ 643,713	\$ 687,121

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, 2022, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements and have issued our report thereon dated March 26, 2023.

Report on 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 2022-001.

Report on 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

Government Auditing Standards require the auditor to perform limited procedures on the Cooperative's response to the findings identified in our audit and 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

March 26, 2023

COMMUNICATIONS SECTION



Superiorland Library Cooperative
Report to Management
For the Year Ended September 30, 2022

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, 2022, 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

2022-001 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.

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 and Board of Directors
- 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

March 26, 2023



Superiorland Library Cooperative
Communication with Those Charged with Governance
For the Year Ended September 30, 2022

March 26, 2023

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, 2022. 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 December 8, 2022. 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 the notes 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 GRS 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. GRS 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, 2021.

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 March 26, 2023.

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 2022-001.

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 Ave • Marquette, MI • (906)-228-7697 • superiorlandlibrary.org

Corrective Action Plan
For the Year Ended September 30, 2022

March 26, 2023

In response to the findings disclosed in the audited financial statements for the year ended September 30, 2022:

2022-001 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.