

**NORTHERN MICHIGAN LIBRARY NETWORK**

**FINANCIAL STATEMENTS**

**For the Year Ended September 30, 2018**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the  
Northern Michigan Library Network  
1615 Presque Isle Avenue  
Marquette, Michigan 49855

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northern Michigan Library Network (the Network) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Network's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Network, as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

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

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2019, on our consideration of the Network'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 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 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 the Network's internal control over financial reporting and compliance.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

January 20, 2019

## Northern Michigan Library Network

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

Our discussion and analysis of the Northern Michigan Library Network's (the Network) financial performance provides an overview of the Network's financial activities for the year ended September 30, 2018. Please read it in conjunction with the financial statements as listed in the table of contents.

#### FINANCIAL HIGHLIGHTS

- Net position for the Network as a whole was reported at \$-0-. Net position is comprised of 100% governmental activities. This represents an increase of \$-0- from the prior year when net position was reported at \$-0-.
- During the year, the Network's total expenses were \$1,878, while revenues from all sources totaled \$1,878 resulting in net position remaining at \$-0-.

#### 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 Network as a whole and present a longer-term view of the Network finances.

#### **Reporting the Network as a Whole**

One of the most important questions asked about the Network's finances is "Is the Network 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 Network 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 Network's *net position* and changes in them. You can think of the Network's net position - the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources - as one way to measure the Network's financial health, or *financial position*. Over time, *increases or decreases* in the Network'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 Network's operating base and the condition of the Network's capital assets, to assess the *overall financial health* of the Network.

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

#### **Reporting the Network's Most Significant Funds**

The Network only reports one fund which is the General Fund. The fund financial statements are reported in combination with the government-wide financial statements. 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 Network's general government operations and the basic services it provides.

**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**

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 Network’s program.

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.

**Northern Michigan Library Network as a Whole**

Table 1 provides a summary of the Network’s net position as of September 30, 2018 and 2017.

	Governmental Activities	
	2018	2017
Current and other assets	\$-	\$-
Capital assets, net	-	-
Total Assets	-	-
Deferred outflows of resources	-	-
Current liabilities	-	-
Long-term liabilities	-	-
Total Liabilities	-	-
Deferred inflows of resources	-	-
Net Position:		
Net investment in capital assets	-	-
Unrestricted	-	-
Total Net Position	\$-	\$-

Net position of the Network’s governmental activities stood at \$-0-. Unrestricted net position — the part of net position that could be used to finance day-to-day activities stood at \$-0-.

The \$-0- in unrestricted net position represents the accumulated results of all past years’ operations. The results of this year’s operations for the Network as a whole are reported in the Changes of Activities. (See Table 2), which shows the changes in net position for fiscal year 2018 and 2017.

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

**Table 2  
Statement of Activities**

	Governmental Activities	
	2018	2017
Program revenues:		
Charges for services	\$1,878	\$2,160
Total Revenues	1,878	2,160
Program Expenses:		
Library services	1,878	2,160
Total Expenses	1,878	2,160
Change in net position	-	-
Net position, beginning	-	-
Net Position, Ending	\$-	\$-

The Network's total revenues were \$1,878. The total cost of all programs and services was \$1,878 resulting in a change in net position of \$-0- as a result of fiscal year 2018 operations.

**NORTHERN MICHIGAN LIBRARY NETWORK'S FUNDS**

As the Organization completed the year, its General Fund, the only governmental fund, reported a fund balance of \$-0- with an increase of \$-0- from the beginning of the year.

**General Fund Budgetary Highlights**

The Organization adopted a balanced budget for the fiscal year ended September 30, 2018.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal 2018, the Network had \$-0- invested in equipment. (See Table 3 below)

**Table 3  
Capital Assets at Year-End**

	Governmental Activities	
	2018	2017
Fixed assets	\$1	\$1
Accumulated depreciation	(1)	(1)
Capital Assets (Net)	\$-	\$-

Depreciation expense was \$-0- for fiscal year 2018. Further details on capital assets can be found in the notes to the financial statements.

**Debt**

The Network has no outstanding debt at year-end.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

In preparing the budget for next year, the Board anticipates conditions to remain the same for the FY 2018/2019 as they were for FY 2017/2018 with some minor changes.

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

### **CONTACTING THE NETWORK FINANCIAL MANAGEMENT**

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



**Northern Michigan Library Network**

STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUNDS BALANCE SHEET

September 30, 2018

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ -	\$ -	\$ -
Capital assets, net	-	-	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	-	-	-
	<hr/>	<hr/>	<hr/>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	-	-	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ -</u>		
	<hr/>		
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ -	-	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	-	-	-
	<hr/>	<hr/>	<hr/>
<b>DEFERRED INFLOWS OF RESOURCES</b>	-	-	-
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCE</b>			
Unassigned	-	-	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL FUND BALANCE</b>	-	-	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ -</u>		
	<hr/>		
<b>NET POSITION</b>			
Net investment in capital assets		-	-
Restricted		-	-
Unrestricted		-	-
		<hr/>	<hr/>
<b>TOTAL NET POSITION</b>		<u>\$ -</u>	<u>\$ -</u>

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

**Northern Michigan Library Network**

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

September 30, 2018

**Total Fund Balances for Governmental Funds** \$ -

*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.

Cost of capital assets	\$ 1	
Accumulated depreciation	<u>(1)</u>	<u>-</u>

**NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ -**

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

**Northern Michigan Library Network**

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

For the year ended September 30, 2018

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>EXPENDITURES/EXPENSES:</b>			
Professional and contractual	\$ 1,320	\$ -	\$ 1,320
Insurance	558	-	558
Miscellaneous	-	-	-
Depreciation	-	-	-
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>1,878</u>	<u>-</u>	<u>1,878</u>
<b>GENERAL REVENUES:</b>			
Lease Income	1	-	1
Transfer from UPRLC	1,377	-	1,377
Transfer from SLC	500	-	500
<b>TOTAL GENERAL REVENUES</b>	<u>1,878</u>	<u>-</u>	<u>1,878</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	
<b>CHANGE IN NET POSITION</b>		-	-
<b>FUND BALANCE/NET POSITION:</b>			
Beginning of the year	<u>-</u>		<u>-</u>
<b>END OF THE YEAR</b>	<u><u>\$ -</u></u>		<u><u>\$ -</u></u>

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

**Northern Michigan Library Network**

**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, 2018

Net Change in Fund Balances - Total Governmental Funds \$ -

*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	\$ -	
Capital outlays	-	-
	<hr/>	<hr/>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b>-</b>
	<hr/> <hr/>	<hr/> <hr/>

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

# NORTHERN MICHIGAN LIBRARY NETWORK

## NOTES TO FINANCIAL STATEMENTS

September 30, 2018

### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The operations of the Northern Michigan Library Network (the Network) are accounted for with a separate set of self-balancing accounts. The accounting policies of the Network 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 Network 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 Network 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 Network are organized on the basis of funds. The operations of the Network'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 Network.

#### **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, deferred outflows of resources, liabilities, and deferred inflows of resources 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 Network’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. Investments are carried at fair value. The fair value measurements 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 Network 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
Equipment	3 – 20 years

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.

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

***Deferred Outflows of Resources*** – In addition to assets, the statement of financial 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 government does not have any items that qualify for reporting in this category.

***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 government does not have any items that qualify for reporting in this category.

***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 lease and interest income.

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 Network'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.

***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 and liabilities 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 January 20, 2019, which is the date the financial statements were available to be issued.

## **NOTE B – JOINTLY GOVERNED ORGANIZATION:**

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

**NOTE B – JOINTLY GOVERNED ORGANIZATION (Continued):**

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

On January 8, 2010, the Northern Michigan Library Network Agreement between Superiorland Library Cooperative and Member Libraries was amended to add the Superior District Library as a fifth participating library and to add two more members to the Northern Michigan Library Network Board, for a total of nine voting members. In addition to the board members listed above, the board consists of two members appointed by the Superior District Library.

Upon establishment of the Northern Michigan Library Network on March 21, 2008, Superiorland Library Cooperative sold all of its capital assets consisting of land, building, and equipment with a net book value of \$97,924 to Northern Michigan Library Network for one dollar.

**NOTE C – OPERATING LEASE RECEIVABLES:**

Northern Michigan Library Network has a triple net lease with Superiorland Library Cooperative, a non-profit organization, for the lease of its building. Future minimum rental receipts for the lease as of September 30, 2018 are as follows:

Year	General Fund
2019	\$1
2020	1
2021	1
2022	1
2023	1
2024-2028	5
Total Future Minimum Lease Payments	<u>\$10</u>

**NOTE D – CAPITAL ASSETS:**

Capital asset activity for the year ended September 30, 2018 is as follows:

	Balance 9/30/17	Additions	Disposals	Balance 9/30/18
Asset Cost:				
Land	\$-	\$-	\$-	\$-
Buildings and improvements	1	-	-	1
Furniture and fixtures	-	-	-	-
Total Asset Cost	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
Accumulated Depreciation:				
Buildings and improvements	(1)	-	-	(1)
Furniture and fixtures	-	-	-	-
Total Accumulated Depreciation	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(1)</u>
Net Capital Assets	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

Depreciation expense charged to governmental activities was \$-0-.



**NOTE E – FUND BALANCE – GOVERNMENTAL FUNDS:**

As of September 30, 2018, 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 Network. 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 Network’s adopted policy, only the Board of Directors may assign amounts for specific purposes.

*Unassigned* — all other spendable amounts.

As of September 30, 2018 fund balances are composed of the following:

	<u>General Fund</u>
Unassigned	<u>\$-</u>
Total Fund Balances	<u><u>\$-</u></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.

When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Network considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Network 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 – NEW GASB STANDARDS:**

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

Recently Issued and Adopted Accounting Pronouncements

None.

## **NOTE F – NEW GASB STANDARDS (Continued):**

### Other Recently Issued Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB 75 provides improved accounting and financial reporting by state and local governments for postemployment benefits other than pension. It also provides information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity. This statement is effective for periods beginning after June 15, 2017. The Network does not have other postemployment benefits that meet the criteria for GASB 75; therefore, GASB 75 is not applicable to the Network.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. GASB 85 provides guidance on a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). Some of the items specifically addressed relate to the following: 1) Measuring certain money market investments and participating interest-earning investment contracts at amortized cost 2) Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus 3) Recognizing on-behalf payments for pension or OPEB in employer financial statements 4) Presenting payment-related measures in required supplementary information for purposes or reporting by OPEB plans and employers that provide OPEB 5) Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plan. This statement is effective for periods beginning after June 15, 2017. The Network does not have pension and OPEB plans that meet the criteria for GASB 85; therefore, GASB 85 is not applicable to the Network.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. GASB 81 provides recognition and measurement guidance when a government is the beneficiary of an irrevocable split-interest agreement. The additional criteria requires governments that receive irrevocable split-interest agreement resources to recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. The government is also required to recognize revenue when resources become applicable to the reporting period. This statement is effective for periods beginning after December 15, 2016. The Network does not have any irrevocable split-interest agreements that meet the criteria for GASB 81; therefore, GASB 81 is not applicable to the Network.

## **NOTE F – NEW GASB STANDARDS (Continued):**

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. GASB 86 provides improved consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This statement is effective for periods beginning after June 15, 2017. The Network does not have any debt extinguishment issues that meet the criteria for GASB 86; therefore, GASB 86 is not applicable to the Network.

## **NOTE G – UPCOMING CHANGES IN ACCOUNTING STANDARDS:**

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

### GASB 83: Certain Asset Retirement Obligations

*Effective for fiscal years beginning after June 15, 2018 (Network's fiscal year 2019)*

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. It requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. A deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement.

This current value of a government's AROs are required to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays.

The statement also gives guidance on situations in which a government may have a minority share (less than 50 percent) of ownership interest in a jointly owned tangible capital asset in which a nongovernmental entity is the majority owner and reports its ARO in accordance with the guidance of another recognized accounting standards setter. The government's minority share of an ARO should be reported using the measurement produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility, without adjustment to conform to the liability measurement and recognition requirements of this Statement.

This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been

## **NOTE G – UPCOMING CHANGES IN ACCOUNTING STANDARDS (Continued):**

incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs.

### GASB 84: Fiduciary Activities

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

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

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

### GASB 87: Leases

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

This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

### GASB 88: Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

*Effective for fiscal years beginning after June 15, 2018 (Network's fiscal year 2019)*

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

**NOTE G – UPCOMING CHANGES IN ACCOUNTING STANDARDS (Continued):**

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

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

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

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

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority interest in a legally separate organization results in a government being financially accountable for a legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit.

**REQUIRED SUPPLEMENTAL  
INFORMATION**

**Northern Michigan Library Network**

GENERAL FUND

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

For the year ended September 30, 2018

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>				
Lease income	\$ 1	\$ 1	\$ 1	\$ -
Transfer from UPRLC	2,439	2,439	1,377	(1,062)
Transfer from SLC	500	500	500	-
<b>TOTAL REVENUES</b>	<u>2,940</u>	<u>2,940</u>	<u>1,878</u>	<u>(1,062)</u>
<b>EXPENDITURES:</b>				
Professional and contractual	2,340	2,340	1,320	1,020
Insurance	600	600	558	42
Miscellaneous	-	-	-	-
Capital outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>2,940</u>	<u>2,940</u>	<u>1,878</u>	<u>1,062</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

## COMPLIANCE SECTION





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

To the Board of Directors of the  
Northern Michigan Library Network  
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 Northern Michigan Library Network (the Network), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Network's basic financial statements and have issued our report thereon dated January 20, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Network'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 Network's internal control. Accordingly, we do not express an opinion on the effectiveness of the Network'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 2018-001.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Network'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*.

### **Northern Michigan Library Network's Response to Findings**

The Network's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Network'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

January 20, 2019

## COMMUNICATIONS SECTION



***Northern Michigan Library Network***  
***Report to Management***  
***For the Year Ended September 30, 2018***

To the Board of Directors of the  
Northern Michigan Library Network  
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 Northern Michigan Library Network (the Network) as of and for the year ended September 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Network'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 Network's internal control. Accordingly, we do not express an opinion on the effectiveness of the Network'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**

**2018-001 SEGREGATION OF DUTIES (REPEAT)**

**Condition/Criteria:** The size of the Network'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 Organization's financial affairs by the Board of Directors.

**Management Response-Corrective Plan:**

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

The Network'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

January 20, 2019



***Northern Michigan Library Network***  
***Communication with Those Charged with Governance***  
***For the Year Ended September 30, 2018***

January 20, 2019

To the Board of Directors of the  
Northern Michigan Library Network  
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 Northern Michigan Library Network (the Network) for the year ended September 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 5, 2018. 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 Network 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 Network during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. 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 letter dated January 20, 2019.

*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 Network'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 Network'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

Board of Directors of the  
Northern Michigan Library Network

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 2018-001.

Other Matters

We applied certain limited procedures to the General Fund Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual, 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.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of Northern Michigan Library Network 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



*Northern Michigan Library Network*

*1615 Presque Isle Avenue*

*Marquette, MI 49855*

v: (906) 228-7697

f: (906) 228-5627

*Corrective Action Plan*  
For the Year Ended September 30, 2018

January 20, 2019

In response to the findings disclosed in the audited financial statements for the year ended September 30, 2018:

**2018-001 SEGREGATION OF DUTIES (REPEAT)**

**Corrective Action Plan:**

The Network 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 Network 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.