

SUPERIORLAND LIBRARY COOPERATIVE
FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

TABLE OF CONTENTS

Independent Auditor’s Report.....3
Management’s Discussion and Analysis6
Statement of Net Position and Governmental Funds Balance Sheet.....10
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position.....11
Statement of Activities and Governmental Fund Revenues,
Expenditures and Changes in Fund Balance.....12
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities13
Notes to Financial Statements14

REQUIRED SUPPLEMENTAL INFORMATION

Municipal Employees Retirement System:
Schedule of Changes in the Cooperative’s Net Pension Liability and Related Ratios.....31
Schedule of Contributions32
General Fund – Governmental Fund Statement of Revenues, Expenditures
and Changes in Fund Balance – Budget and Actual33

OTHER SUPPLEMENTAL INFORMATION

General Fund – Schedule of Revenues, Expenditures and
Changes in Fund Balance35

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*38

COMMUNICATIONS SECTION

Report to Management41
Communication with Those Charged with Governance43



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Superiorland Library Cooperative, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Library'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.

Board of Directors of the
Superiorland Library Cooperative

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 Superiorland Library Cooperative, as of September 30, 2015, 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.

Change in Accounting Principle

As described in the notes to the financial statements, in 2015, the Superiorland Library Cooperative adopted the following new accounting guidance: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (an Amendment of GASB No. 27)* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (an Amendment of GASB No. 68)*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Superiorland Library Cooperative's basic financial statements. The General Fund – Schedule of Revenue, Expenditures and Changes in Fund Balance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The General Fund – Schedule of Revenue, Expenditures and Changes in Fund Balance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of

Board of Directors of the
Superiorland Library Cooperative

America. In our opinion, the General Fund – Schedule of Revenue, Expenditures and Changes in Fund Balance are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2016, on our consideration of the Superiorland Library 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 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 Superiorland Library Cooperative's internal control over financial reporting and compliance.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 12, 2016

Superiorland Library Cooperative

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Superiorland Library Cooperative's financial performance provides an overview of the Cooperative's financial activities for the year ended September 30, 2015. 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 were reported at \$559,819. Net position is comprised of 100% governmental activities. This represents an increase of \$86,896 from prior year when net position (as restated) were reported at \$472,923.
- During the year, the Cooperative's total expenses were \$590,081, while revenues from all sources totaled \$676,977 resulting in an increase in net position of \$86,896.

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, 2015 and 2014.

	2015	2014
Current and other assets	\$661,826	\$574,747
Capital assets, net	34,628	32,751
Total Assets	696,454	607,498
Deferred outflows of resources	13,437	-
Current liabilities	4,447	9,028
Noncurrent liabilities	145,625	8,779
Total Liabilities	150,072	17,807
Deferred inflows of resources	-	-
Net Position:		
Net investment in capital assets	34,628	32,751
Restricted	44,658	46,021
Unrestricted	480,533	510,919
Total Net Position	\$559,819	\$589,691

Net Position of the Cooperative's governmental activities stood at \$559,819. Unrestricted net position — the part of net position that could be used to finance day-to-day activities stood at \$480,533.

The \$480,533 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 year 2015 and 2014.

	2015	2014
Program Revenues:		
Charges for services	\$309,260	\$291,718
Operating grants and contributions	105,871	104,084
General Revenues:		
Sources not restricted to specific program	257,916	258,190
Interest earnings	3,051	2,530
Miscellaneous	879	1,010
Total Revenues	676,977	657,532
Program Expenses:		
Library services	590,081	579,180
Capital outlay	-	1,520
Loss on sale of assets	-	-
Total Expenses	590,081	580,700

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

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

	2015	2014
Change in net position	\$86,896	\$76,832
Net Position, beginning, as restated	472,923	512,859
Net Position, Ending	<u>\$559,819</u>	<u>\$589,691</u>

The Cooperative's total revenues were \$676,977. The total cost of all programs and services was \$590,081 resulting in an increase in net position of \$86,896 as a result of fiscal year 2015 operations. This increase in net position was mainly the result of unused contingency fund and lower than anticipated expenditures in some budget line items. Total expenditures were \$585,317; this was increased by \$4,764 (depreciation expense of \$5,382, a PTO decrease of \$1,720, pension expense of \$8,361 and capital outlay of \$7,259), leaving total expenses of \$590,081, which resulted in an increase in net position of \$86,896.

SUPERIORLAND LIBRARY COOPERATIVE'S FUNDS

As the Cooperative completed the year, its General Fund (the only governmental fund) reported a fund balance of \$657,379 with an increase of \$91,660 from the beginning of the year. This increase was the result of a reduction of expected expenses during the fiscal year.

General Fund Budgetary Highlights

The Cooperative's Board adopted the fiscal year 2015 general fund budget in September 2014 and the budget was amended as required throughout the year. The final projected revenues were \$687,343 and projected expenditures were \$681,510, resulting in an anticipated increase in the fund balance of \$5,833. The actual change in fund balance for the year was a positive \$91,660 as a result of unused contingency fund and lower than anticipated expenditures in some budget line items.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2015, the Cooperative had \$34,628 invested in equipment. (See Table 3)

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

	2015	2014
Land	\$-	\$-
Furniture & fixtures	48,293	41,034
Buildings and improvements	11,110	11,110
Total Capital Assets	59,403	52,144
Accumulated depreciation	(24,775)	(19,393)
Capital Assets (Net)	<u>\$34,628</u>	<u>\$32,751</u>

Debt

The Cooperative has no outstanding debt at year end.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the budget for next year, the Board anticipates conditions to remain the same for the FY 2015/2016 as they were for FY 2014/2015 with some minor changes.

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

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 FUND BALANCE SHEET

September 30, 2015

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 600,825	\$ -	\$ 600,825
Accounts receivable	38,086	-	38,086
Other assets	2,693	-	2,693
Prepays	20,222	-	20,222
Capital assets, net of depreciation	-	34,628	34,628
TOTAL ASSETS	661,826	34,628	696,454
DEFERRED OUTFLOWS OF RESOURCES			
Change in pension investment projections	-	11,007	11,007
Employer contributions subsequent to measurement date	-	2,430	2,430
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	13,437	13,437
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 661,826		
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 2,097	\$ -	\$ 2,097
Unearned revenue	2,350	-	2,350
Other Liabilities	-	-	-
Long-term liabilities:			
Accrued paid time off	-	7,059	7,059
Net pension liability	-	138,566	138,566
TOTAL LIABILITIES	4,447	145,625	150,072
DEFERRED INFLOWS OF RESOURCES			
	-	-	-
FUND BALANCE			
Nonspendable	20,222	(20,222)	-
Restricted	24,436	(24,436)	-
Assigned	7,059	(7,059)	-
Unassigned	605,662	(605,662)	-
TOTAL FUND BALANCE	657,379	(657,379)	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 661,826		
NET POSITION			
Net investment in capital assets		34,628	34,628
Restricted		44,658	44,658
Unrestricted		480,533	480,533
TOTAL NET POSITION		\$ 559,819	\$ 559,819

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, 2015

Total Fund Balances for Governmental Funds \$ 657,379

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.

	\$	59,403	
Cost of capital assets			
Accumulated depreciation		(24,775)	34,628

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

Net pension liability		138,566	
Deferred (outflows) of resources related to net pension liability		(11,007)	
Employer contributions subsequent to measurement date		(2,430)	
Deferred inflows of resources related to net pension liability		-	(125,129)

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.

(7,059)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 559,819

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

Superiorland Library Cooperative

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

For the year ended September 30, 2015

	General Fund	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES:			
Library services	\$ 585,317	\$ 4,764	\$ 590,081
Capital outlay	-	-	-
Loss on disposal of assets	-	-	-
	585,317	4,764	590,081
TOTAL EXPENDITURES/EXPENSES	585,317	4,764	590,081
PROGRAM REVENUES:			
Charges for services	309,260	-	309,260
Operating grants and contributions	105,871	-	105,871
	415,131	-	415,131
TOTAL PROGRAM REVENUES	415,131	-	415,131
NET PROGRAM EXPENSE			174,950
GENERAL REVENUES:			
State grants - unrestricted	257,916	-	257,916
Interest income	3,051	-	3,051
Miscellaneous	879	-	879
	261,846	-	261,846
TOTAL GENERAL REVENUES	261,846	-	261,846
EXCESS OF REVENUES OVER EXPENDITURES	91,660	(91,660)	-
CHANGES IN NET POSITION		86,896	86,896
FUND BALANCE/NET POSITION:			
Beginning of year	565,719	-	-
Beginning of year, as restated	-	-	472,923
	565,719	-	472,923
END OF THE YEAR	\$ 657,379	\$ -	\$ 559,819

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, 2015

Net Change in Fund Balances - Total Governmental Funds \$ 91,660

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		(5,382)	
Capital outlays		7,259	
Loss on Disposal of Assets		-	1,877

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. (8,361)

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. 1,720

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 86,896

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

SUPERIORLAND LIBRARY COOPERATIVE

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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 invested 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.

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
Equipment	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 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 Cooperative has two items that qualify for reporting 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 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 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):

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

Subsequent Events - Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through February 12, 2016 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 – REVENUES:

The Superiorland Library 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 C – DEFINED BENEFIT PENSION PLAN:

Summary of Significant Accounting Policies Pensions:

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

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.

NOTE C – DEFINED BENEFIT PENSION PLAN (Continued):

Benefits Provided

	<u>2014 Valuation</u>
General: Closed to New Hires	
Benefit Multiplier:	2.00% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	8 years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	50/15
Final Average Compensation:	5 years
COLA for Future Retirees:	2.50% (Non-Compound)
Employee Contributions:	4.70%
Act 88:	No

Employees covered by benefit terms

At the December 31, 2014 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	1
Active employees	0
Total	<u>4</u>

Contributions

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

The contribution rates as a percentage of payroll as of December 31, 2014 valuation are as follows:

<u>Division:</u>	<u>Employer</u>	<u>Employee</u>
General	\$663	0.00%

There were no contribution requirements for closed divisions.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2014, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

NOTE C – DEFINED BENEFIT PENSION PLAN (Continued):

Actuarial assumptions

The total pension liability in the December 31, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: Inflation: 3%-4% Salary Increases: 4.5% in the long-term (1%, 2% and 3% for calendar years 2014, 2015 and 2016, respectively) Investment rate of return: 8.0%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008. (MERS Retirement Board is currently conducting an actuarial experience study covering the period from January 1, 2009, through December 31, 2013.)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Discount rate

The discount rate used to measure the total pension liability is 8.25% for 2014. 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.

NOTE C – DEFINED BENEFIT PENSION PLAN (Continued):

Changes in Net Pension Liability

Calculating the Net Pension Liability

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a)-(b)
Balances at 12/31/13	\$897,357	\$778,103	\$119,254
Changes for the Year:			
Service Costs	-	-	-
Interest on Total Pension Liability	71,776	-	71,776
Changes in benefits	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumption	-	-	-
Employer Contributions	-	4,005	(4,005)
Employee Contributions	-	1,876	(1,876)
Net investment Income	-	48,349	(48,349)
Benefit payments, including employee refunds	(54,696)	(54,696)	-
Administrative expense	-	(1,766)	1,766
Other changes	-	-	-
Net Changes	17,080	(2,232)	19,312
Balances as of 12/31/14	\$914,437	\$775,871	\$138,566

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

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.25%) or 1% higher (9.25%) than the current rate.

	1% Decrease 7.25%	Current Discount Rate (8.25%)	1% Increase 9.25%
Net Pension Liability at 12/31/14	\$138,566	\$138,566	\$138,566
Change in Net Pension Liability (NPL)	88,029	-	(75,296)
Calculated NPL for your Notes	\$226,595	\$138,566	\$63,270

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

NOTE C – DEFINED BENEFIT PENSION PLAN (Continued):

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

For the year ended September 30, 2015, the employer recognized pension expense of \$8,361. 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	11,007	-
Subtotal	<u>11,007</u>	<u>-</u>
Contributions subsequent to the measurement date*	2,430	-
Total	<u>\$13,437</u>	<u>\$-</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, 2015.

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
2015	\$2,752
2016	2,752
2017	2,752
2018	2,751
Thereafter	-
	<u>\$11,007</u>

Payable to Pension Plan:

At September 30, 2015, the Cooperative reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2015.

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 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:

NOTE D – ACCRUED PAID TIME OFF (Continued):

	Balance 9/30/14	Additions	Disposals	Balance 9/30/15	Due within One Year
Paid Time Off:					
Personal time off	\$7,814	\$-	\$2,000	\$5,814	\$-
Vacation	965	280	-	1,245	-
Total Paid Time Off	<u>\$8,779</u>	<u>\$280</u>	<u>\$2,000</u>	<u>\$7,059</u>	<u>\$-</u>

NOTE E – DEPOSITS AND INVESTMENTS:

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

Cash in demand accounts	\$177,013
Cash in savings accounts	164,387
Certificates of deposit	259,425
Total	<u>\$600,825</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 \$600,825 and the bank balance was \$620,038. Of the bank balance, \$620,038 or approximately 100% was covered by federal depository insurance according to FDIC regulations. As of September 30, 2015, \$0 of the Cooperative's bank balance of \$620,038 was exposed to custodial credit risk as being uninsured and uncollateralized. The bank balance is categorized as follows:

Amount insured by the FDIC	\$620,038
Amount collateralized	-
Amount uncollateralized and uninsured	-
Total	<u>\$620,038</u>

Investments

As of September 30, 2015, 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.

Credit 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 F – CAPITAL ASSETS:

Capital asset activity for the year ended September 30, 2015 is as follows:

	Balance 9/30/14	Additions	Disposals	Balance 9/30/15
Asset Cost:				
Land	\$-	\$-	\$-	\$-
Buildings and improvements	11,110	-	-	11,110
Furniture and fixtures	41,034	7,259	-	48,293
Total Asset Cost	<u>52,144</u>	<u>7,259</u>	<u>-</u>	<u>59,403</u>
Accumulated Depreciation:				
Buildings and improvements	(1,543)	(741)	-	(2,284)
Furniture and fixtures	(17,850)	(4,641)	-	(22,491)
Total Accumulated Depreciation	<u>(19,393)</u>	<u>(5,382)</u>	<u>-</u>	<u>(24,775)</u>
Net Capital Assets	<u>\$32,751</u>	<u>\$1,877</u>	<u>\$-</u>	<u>\$34,628</u>

Depreciation expense charged to governmental activities was \$5,382.

NOTE G – DEFERRED COMPENSATION PLAN:

The Superiorland Library 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 H – JOINTLY GOVERNED ORGANIZATION:

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

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

On January 8, 2010, the Northern Michigan Library Network Agreement between Superiorland Library Cooperative and Member Libraries was amended to add the Bayliss Public Library as a fifth participating library and to add two more members to the Superiorland Library Cooperative Board, for a total of nine voting members. In addition to the board members listed above, the board consists of two (2) members appointed by the Bayliss Public Library.

NOTE H – JOINTLY GOVERNED ORGANIZATION (Continued):

Upon establishment of the Northern Michigan Library Network on March 21, 2008, Superiorland Library Cooperative sold all of its capital assets consisting of land, building, and equipment with a net book value of \$97,924 to Northern Michigan Library Network for one dollar (\$1).

NOTE I – OPERATING LEASE COMMITMENTS:

Superiorland Library Cooperative has a triple net lease with Northern Michigan Library Network, a jointly governed organization, to lease a building. Future minimum rental commitments for the lease as of September 30, 2015 are as follows:

Year	General Fund
2016	\$1
2017	1
2018	1
2019	1
2020	1
2021-2025	5
2026-2030	5
2031-2032	2
Total Future Minimum Lease Payments	\$17

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 \$500,000 an audit in accordance with OMB Circular A-133 is not required.

NOTE K – FUND BALANCES – GOVERNMENTAL FUNDS:

As of September 30, 2015, 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.

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

As of September 30, 2015, fund balances are composed of the following:

	<u>General Fund</u>
Nonspendable:	
Prepays	\$20,222
Restricted:	
Lilja Memorial Library Fund	24,436
Assigned:	
Paid time off	7,059
Unassigned	<u>605,662</u>
Total Fund Balances	<u>\$657,379</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 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 L – NEW GASB STANDARDS:**Recently Issued and Adopted Accounting Pronouncements**

In March 2012, the GASB issued Statement No. 66, *2012 Technical Corrections (an Amendment to GASB 10 and GASB 62)*. GASB No. 66 eliminates conflicting guidance that resulted from the issuance of GASB 54 and GASB 62, which are both already effective. GASB 10 was amended to allow for risk financing activities to be accounted for in whichever fund type is most applicable (no longer limited to the general fund or an internal service fund). GASB 62 was amended to modify specific guidance related to (1) operating leases with scheduled rent increases, (2) purchase of loans at an amount other than the principal amount, and (3) service fees related to mortgages that are sold when the service rate varies significantly from the current (normal) service fees. This Statement is effective for periods beginning after December 15, 2013. The adoption of GASB No. 66 does not have any impact on the Cooperative's financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB 68 establishes new requirements for governments to report a "net pension liability" for the unfunded portion of its pension plan. Governments that participate in a cost sharing plan will report a liability for their "proportionate share" of the net pension liability of the entire system. It also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The methods used to determine the discount rate (the assumed rate of return on plan assets held in trust) are mandated and must be disclosed, along with what the impact would be on the net pension liability if that rate changed by 1% in either direction. Other new disclosure requirements include details of the changes in the components of the net pension liability, comparisons of actual employer contributions to actuarially determined contributions, and ratios to put the net pension liability in context. This information will be derived

NOTE L – NEW GASB STANDARDS (Continued):

from the financial reports of the plan itself, multiplied by the government's proportionate share of plan. This Statement is effective for periods beginning after June 15, 2014. The adoption of GASB No. 68 required the Cooperative to record a prior period adjustment for the Cooperative's portion the net pension liability at the beginning of the year as detailed in the notes of the financial statements.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (an Amendment of GASB Statement No. 68)*. This standard is an amendment to GASB 68, and seeks to clarify implementation issues related to amounts that are deferred and amortized at the time GASB 68 is first adopted. It applies to situations in which the measurement date of an actuarial valuation differs from the government's fiscal year. This Statement is effective at the same time GASB 68 is adopted. The adoption of GASB No. 71 required the Cooperative to record a prior period adjustment resulting from timing differences between the Cooperative's fiscal year and the actuarial valuation measurement date as detailed in the notes of the financial statements.

Other Recently Issued Accounting Pronouncements

In January 2013, the GASB issued Statement No. 69 *Government Combinations and Disposals of Government Operations*. GASB No. 69 provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity. This Statement is effective for periods beginning after December 15, 2013. The adoption of GASB No. 69 does not have any impact on the Cooperative's financial statements.

NOTE M – 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.

GASB 72: Fair Value Measurement and Application

Effective for fiscal years beginning after June 15, 2015 (Cooperative's fiscal year 2016)

This standard addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard provides guidance for determining a fair value measurement for financial reporting purposes. It also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB 73: Accounting and Financial Reporting for Pension and Related Assets that are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68

Effective for fiscal years beginning after June 15, 2015 (Cooperative's fiscal year 2016)

NOTE M – UPCOMING STANDARDS (Continued):

This standard establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

GASB 74: Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans *Effective for fiscal years beginning after June 15, 2016 (Cooperative's fiscal year 2017)*

This standard replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet certain criteria. It also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are *not* administered through trusts that meet the specified criteria.

GASB 75: Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans *Effective for fiscal years beginning after June 15, 2017 (Cooperative's fiscal year 2018)*

This standard replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. It 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.

NOTE M – UPCOMING STANDARDS (Continued):

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.

GASB 75 also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The particular accounting and financial reporting requirements and footnote disclosures are dependent upon the type of plan being used (defined benefit, defined contribution, or special funding situations) and whether the OPEB plans are administered through trusts meeting certain criteria.

GASB 76: The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

Effective for fiscal years beginning after June 15, 2015 (Cooperative's fiscal year 2016)

This standard supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB 77: Tax Abatement Disclosures

Effective for fiscal years beginning after December 15, 2015 (Cooperative's fiscal year 2017)

This standard requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

Governments will be required to disclose information about tax abatement agreements including the taxes being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanisms by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments being made by tax abatement recipients. Additionally the gross dollar amount of taxes abated during the period will have to be disclosed along with any other commitments made by a government, other than to abate taxes, as part of the tax abatement agreement.

NOTE N – NET POSITION RESTATEMENT:

The following net position restatement were made resulting from the adoption of GASB No. 68 and GASB No. 71. The adjustment records the beginning proportionate share of net pension liability and related deferred outflows of resources as listed below.

	<u>Governmental Activities</u>
Net position, beginning of year	\$589,691
Prior Period Adjustment:	
Net pension liability, beginning of year	(119,254)
Deferred outflows of resources related to pension, beginning of year	<u>2,486</u>
Net position, beginning of year, as restated	<u><u>\$472,923</u></u>

**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

	Fiscal Year Ending September 30,			
	2015			
Change in total pension liability				
Service cost	\$ -			
Interest	71,776			
Differences between expected and actual experience	-			
Benefit payments, including refunds of member contributions	(54,696)			
Net change in total pension liability	<u>17,080</u>			
Total pension liability, beginning	<u>897,357</u>			
Total pension liability, ending (a)	<u>914,437</u>			
Change in plan fiduciary net position				
Contributions - employer	4,005			
Contributions - employee	1,876			
Net investment income	48,349			
Benefit payments, including refunds of member contributions	(54,696)			
Administrative expense	(1,766)			
Net change in plan fiduciary net position	<u>(2,232)</u>			
Plan fiduciary net position, beginning	<u>778,103</u>			
Plan fiduciary net position, ending (b)	<u>775,871</u>			
Cooperative's net pension liability, ending (a) - (b)	<u>\$ 138,566</u>			
Plan fiduciary net position as a percentage of the total pension liability	84.85%			
Covered-employee payroll	\$ -			
Cooperative's net pension liability as a percentage of covered payroll	0.00%			

Notes to Schedule:

Benefit changes: There were no changes in benefit provisions affecting the 2014 valuation.

Changes in assumptions: There were no changes in actuarial assumptions or methods affecting the 2014 valuation.

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

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

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

	Plan Year Ending December 31,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	\$ 4,005	\$ 5,101	\$ 4,800	\$ 4,300	\$ 1,000	\$ 5,214	\$ 6,699	\$ 1,867	\$ 852	\$ 2,828
Contributions in relation to actuarially determined contribution	4,005	5,101	4,800	4,300	1,000	5,214	6,699	1,867	852	2,828
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee Payroll	\$ -	\$ 34,858	\$ 33,667	\$ 33,011	\$ 33,501	\$ 121,549	\$ 117,123	\$ 115,767	\$ 112,275	\$ 108,813
Contributions as Percentage of Covered-employee Payroll	0.00%	14.63%	14.26%	13.03%	2.98%	4.29%	5.72%	1.61%	0.76%	2.60%

Notes to Schedule of Contributions

Valuation date	December 31, 2012
Notes	Actuarially determined contribution rates are calculated as of December 31, that is twenty-one months prior to the beginning of the fiscal year of with the contributions are reported.
Other information	There were no benefit changes during the year. There were no changes in actuarial assumptions or methods during the year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	10 year smoothed
Inflation	3.50%
Salary increases	4.50%
Retirement age	8.00%
Investment rate of return	Varies depending on plan adoption
Mortality rates	50% Female/50% Male 1994 Group Annuity Mortality Table

Superiorland Library Cooperative

GENERAL FUND

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

For the year ended September 30, 2015

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal grants	\$ -	\$ -	\$ -	\$ -
State grants - local unit membership	105,000	108,430	105,871	(2,559)
State grants	258,118	256,143	257,916	1,773
Private foundation grant	-	-	-	-
Interest income	1,900	2,150	3,051	901
Contracted service revenue	135,550	135,170	134,858	(312)
Donations	-	-	-	-
Miscellaneous revenue	850	750	879	129
Rebilled supplies and equipment	-	80,000	72,465	(7,535)
Rebilled professional and contractual	-	9,700	9,700	-
Rebilled group purchases/subscriptions	135,000	95,000	92,237	(2,763)
TOTAL REVENUES	<u>636,418</u>	<u>687,343</u>	<u>676,977</u>	<u>(10,366)</u>
EXPENDITURES:				
Personnel services	268,159	271,500	236,972	34,528
Employees welfare and benefits:				
Social security	20,514	21,448	18,631	2,817
Hospitalization insurance	34,769	23,044	16,840	6,204
Life insurance	360	400	194	206
Unemployment compensation	1,375	1,625	570	1,055
Retirement	22,158	18,815	18,124	691
125K flex benefits	350	405	373	32
Utilities	6,000	6,000	4,587	1,413
Professional and contractual	48,000	55,800	53,318	2,482
Communication	3,000	3,000	2,374	626
Conferences/workshops	5,500	6,500	2,538	3,962
Transportation	5,500	5,750	4,536	1,214
Printing and publishing	1,000	2,000	718	1,282
Promotion	3,000	5,500	2,000	3,500
Insurance and bonds	3,850	3,850	3,342	508
Maintenance	9,000	26,223	16,429	9,794
Membership fees	1,250	1,250	1,049	201
Subscriptions	16,700	17,750	17,612	138
Computer supplies	4,975	10,050	5,613	4,437
Office supplies	4,800	6,750	5,095	1,655
Capital outlay	5,500	5,500	-	5,500
Interest	150	150	-	150
Building lease	-	-	-	-
Contingency	30,000	3,500	-	3,500
Rebilled supplies and equipment	-	80,000	72,465	7,535
Rebilled professional and contractual	-	9,700	9,700	-
Rebilled group purchases/subscriptions	135,000	95,000	92,237	2,763
TOTAL EXPENDITURES	<u>630,910</u>	<u>681,510</u>	<u>585,317</u>	<u>96,193</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	5,508	5,833	91,660	85,827
Fund Balance, beginning of year	565,719	565,719	565,719	-
Fund Balance, end of year	<u>\$ 571,227</u>	<u>\$ 571,552</u>	<u>\$ 657,379</u>	<u>\$ 85,827</u>

**OTHER SUPPLEMENTAL
INFORMATION**

Superiorland Library Cooperative

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the year ended September 30, 2015

	Restricted	Assigned		Unassigned	Totals
	Lilja Memorial Library Fund	Paid Time Off	GLTB Fund	General	
REVENUES:					
Federal grants	\$ -	\$ -	\$ -	\$ -	\$ -
State grants - local unit membership	-	-	-	105,871	105,871
State grants	-	-	41,073	216,843	257,916
Interest income	259	-	-	2,792	3,051
Contracted service revenue	-	-	-	134,858	134,858
Donations	-	-	-	-	-
Miscellaneous revenue	-	-	-	879	879
Rebilled supplies and equipment	-	-	-	72,465	72,465
Rebilled professional and contractual	-	-	-	9,700	9,700
Rebilled group purchases/subscriptions	-	-	-	92,237	92,237
TOTAL REVENUES	259	-	41,073	635,645	676,977
EXPENDITURES:					
Personnel services	-	-	36,685	200,287	236,972
Employees welfare and benefits:					
Social security	-	-	2,806	15,825	18,631
Hospitalization insurance	-	-	1,573	15,267	16,840
Life insurance	-	-	-	194	194
Unemployment compensation	-	-	121	449	570
Retirement	-	-	375	17,749	18,124
125K flex benefits	-	-	-	373	373
Computer supplies	-	-	-	5,613	5,613
Operating supplies	-	-	1,882	3,213	5,095
Utilities	-	-	780	3,807	4,587
Professional and contractual	-	-	948	52,370	53,318
Communication	-	-	500	1,874	2,374
Conferences/workshops	-	-	861	1,677	2,538
Transportation	-	-	593	3,943	4,536
Printing and publishing	-	-	377	341	718
Promotion	-	-	2,000	-	2,000
Insurance and bonds	-	-	200	3,142	3,342
Maintenance	-	-	198	16,231	16,429
Membership fees	-	-	-	1,049	1,049
Subscriptions	-	-	-	17,612	17,612
Contingency/Tech. reserve	-	-	-	-	-
Building lease	-	-	-	-	-

Superiorland Library Cooperative

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the year ended September 30, 2015

	Restricted	Assigned		Unassigned	Totals
	Lilja Memorial Library Fund	Paid Time Off	GLTB Fund	General	
EXPENDITURES (Continued):					
Capital outlay					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Building	-	-	-	-	-
Books	-	-	-	-	-
Equipment and furniture	-	-	-	-	-
Interest	-	-	-	-	-
Rebilled supplies and equipment	-	-	-	72,465	72,465
Rebilled professional and contractual	-	-	-	9,700	9,700
Rebilled group purchases/subscriptions	-	-	-	92,237	92,237
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>49,899</u>	<u>535,418</u>	<u>585,317</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	259	-	(8,826)	100,227	91,660
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	8,826	-	8,826
Transfers (out)	-	(1,720)	-	(7,106)	(8,826)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(1,720)</u>	<u>8,826</u>	<u>(7,106)</u>	<u>-</u>
CHANGE IN FUND BALANCES	259	(1,720)	-	93,121	91,660
Fund balances, beginning of year	<u>24,177</u>	<u>8,779</u>	<u>-</u>	<u>532,763</u>	<u>565,719</u>
FUND BALANCES, END OF YEAR	<u>\$ 24,436</u>	<u>\$ 7,059</u>	<u>\$ -</u>	<u>\$ 625,884</u>	<u>\$ 657,379</u>

COMPLIANCE SECTION



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Certified Public Accountants

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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 Superiorland Library Cooperative, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise Superiorland Library Cooperative's basic financial statements and have issued our report thereon dated February 12, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Superiorland Library 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 Superiorland Library Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of Superiorland Library 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 Letter that we consider to be significant deficiencies item 2015-001.

Board of Directors of the
Superiorland Library Cooperative

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Superiorland Library 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*.

Superiorland Library Cooperative's Response to Findings

Superiorland Library Cooperative's response to the findings identified in our audit is described in the accompanying Report to Management Letter. Superiorland Library Cooperative's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 12, 2016

COMMUNICATIONS SECTION



Superiorland Library Cooperative
Report to Management Letter
For the Year Ended September 30, 2015

To the Board of Directors 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 Superiorland Library Cooperative as of and for the year ended September 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Superiorland Library Cooperative's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Superiorland Library Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of Superiorland Library 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:

2015-001 SEGREGATION OF DUTIES (REPEAT)

Condition/Criteria: The size of the Superiorland Library 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.

To the Members of the Board of Directors
Superiorland Library Cooperative

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

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

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

Management Response-Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Pam Christensen, Director
- Corrective Action Planned:
 - Superiorland Library Cooperative continues to have the Board of Directors closely review the monthly activity.
- Anticipated Completion Date:
 - Not applicable

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

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

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 12, 2016



Superiorland Library Cooperative
Communication with Those Charged with Governance
For the Year Ended September 30, 2015

February 12, 2016

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 for the year ended September 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), 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 13, 2015. 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 Superiorland Library Cooperative are described in the table of contents to the financial statements. As described in the notes to the financial statements, Superiorland Library Cooperative adopted the following new accounting guidance: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (an Amendment of GASB No. 27)* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (an Amendment of GASB No. 68)*, in 2015. Accordingly, the cumulative effect of the new accounting changes as of the beginning of the year is reported as a prior period adjustment on the Statement of Activities as enumerated upon in the notes to the financial statements. We noted no transactions entered into by Superiorland Library 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 Superiorland Library Cooperative's financial statements were:

Board of Directors of the
Superiorland Library Cooperative

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

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

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

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

The disclosure of the Cooperative's Defined Benefit Pension Plan includes significant actuarial assumptions used in calculating the valuation. CBIZ Retirement Plan Services was the actuarial company hired by the Retirement Board of the Municipal Employees' Retirement System of Michigan (MERS) for preparation of the annual actuarial valuation. A full listing of the actuarial assumptions used can be found MERS' Comprehensive Annual Financial Report of the Fiscal Year Ended December 31, 2014.

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.

Board of Directors of the
Superiorland Library Cooperative

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 12, 2016.

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 Superiorland Library 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 Superiorland Library 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 the 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 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 Letter that we consider to be significant deficiencies item 2015-001.

Other Matters

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

We were engaged to report on General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance, 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