

**UPPER PENINSULA REGION OF  
LIBRARY COOPERATION, INC.**

**AUDITED FINANCIAL STATEMENTS AS OF**

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

## **TABLE OF CONTENTS**

Independent Auditor’s Report.....	3
Management’s Discussion and Analysis (Unaudited).....	6
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 Activities .....	13
Notes to Financial Statements .....	14

### **REQUIRED SUPPLEMENTAL INFORMATION**

General Fund – Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual .....	27
---	----

### **OTHER SUPPLEMENTAL INFORMATION**

General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance .....	29
--	----

### **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 <i>Government Auditing Standards</i> .....	32
---	----

### **COMMUNICATIONS SECTION**

Report to Management .....	35
Communication with Those Charged with Governance .....	37
Corrective Action Plan.....	40



## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the  
Upper Peninsula Region of Library Cooperation, Inc.  
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 the Upper Peninsula Region of Library Cooperation, Inc. (the Cooperation) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Cooperation's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

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

### ***Other Matters***

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

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

#### ***Other Information***

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

The Other Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplemental Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2019, on our consideration of the Cooperation'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

Board of Trustees of the  
Upper Peninsula Region of Library Cooperation, Inc.

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

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

February 2, 2019

## Upper Peninsula Region of Library Cooperation, Inc.

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

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

#### **FINANCIAL HIGHLIGHTS**

- Net position for the Cooperation as a whole was reported at \$330,998. The net position is comprised of 100% governmental activities. This represents an increase of \$39,583 from prior year when net position was reported at \$291,415.
- During the year, the Cooperation's total expenses were \$337,802, while revenues from all sources totaled \$377,385, resulting in an increase in net position of \$39,583.

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

#### **Reporting the Cooperation as a Whole**

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

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

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

The Cooperation 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

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

view of the Cooperation'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 Cooperation's program.

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

### Upper Peninsula Region of Library Cooperation, Inc. as a Whole

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

	<u>2018</u>	<u>2017</u>
Current and other assets	\$342,852	\$308,639
Capital assets, net	4,862	6,461
Total Assets	<u>347,714</u>	<u>315,100</u>
Deferred outflows of resources	-	-
Current liabilities	6,531	7,520
Noncurrent liabilities	3,655	9,763
Total Liabilities	<u>10,186</u>	<u>17,283</u>
Deferred inflows of resources	<u>6,530</u>	<u>6,402</u>
Net Position:		
Net investment in capital assets	4,862	6,461
Restricted	6,106	8,961
Unrestricted	320,030	275,993
Total Net Position	<u>\$330,998</u>	<u>\$291,415</u>

Net position of the Cooperation's governmental activities stood at \$330,998. Unrestricted net position — the part of net position that could be used to finance day-to-day activities stood at \$320,030.

The \$320,030 in unrestricted net position represents the accumulated results of all past years' operations. The results of this year's operations for the Cooperation as a whole are reported in the Statement of Activities (See Table 2), which shows the changes in net position for fiscal year 2018 and 2017.

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

**Table 2  
Statement of Activities**

	2018	2017
Program Revenues:		
Charges for services	\$374,471	\$387,908
General Revenues:		
Interest earnings	1,426	1,329
Miscellaneous	1,488	1,927
Total Revenues	<u>377,385</u>	<u>391,164</u>
Program Expenses:		
Library services	337,802	377,018
Total Expenses	<u>337,802</u>	<u>377,018</u>
Change in net position	39,583	14,146
Net position, beginning	291,415	277,269
Net Position, Ending	<u>\$330,998</u>	<u>\$291,415</u>

The Cooperation's total revenues were \$377,385. The total cost of all programs and services was \$337,802 leaving an increase in net position of \$39,583 as a result of fiscal year 2018 operations. As of September 30, 2018, the Cooperation showed a net increase in fund balance (excess revenues over expenditures) of \$35,074; this total was reduced by depreciation expense of \$1,599, and increased by compensated absences of \$6,108, resulting in the increase in net position of \$39,583.

**UPPER PENINSULA REGION OF LIBRARY COOPERATION, INC.'S FUNDS**

As the Cooperation completed the year, its General Fund, which includes the Cooperation's General Fund for Administration and the Automated Library Services Fund, reported a fund balance of \$329,791, an increase of \$35,074 from the beginning of the year.

**General Fund Budgetary Highlights**

The Cooperation's General Fund includes the Automated Library Services Fund, the General Fund for Administration, and Northern Michigan Library Network Administration Fund. Final projected revenues for the Automated Library Services Fund were \$402,662 and final projected expenses were \$385,368, resulting in a projected increase in the fund balance of \$17,294. Actual results were total revenues of \$369,883 and total expenditures of \$335,653 resulting in revenues exceeding expenditures by \$34,230. Projected revenues and expenditures did include revenues and expenditures for items re-billed to libraries for optional products.

The Cooperation's General Fund for Administration projected revenues were \$2,816 and projected expenditures were \$1,675, resulting in a projected increase in the General Fund Balance for Administration of \$1,141. Actual results were total revenues of \$2,776 and total expenditures of \$1,468 resulting in revenues exceeding expenditures by \$1,308.

The Cooperation's Northern Michigan Library Network Administration Fund projected revenues were \$501 and projected expenditures were \$2,940, resulting in a projected decrease in the fund balance of \$2,439. Actual results were total revenues of \$501 and total expenditures of \$1,878, resulting in expenditures exceeding revenues by \$1,377.



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

The Cooperation's Continuing Education Fund projected revenues were \$4,235 and projected expenditures were \$3,800 resulting in a projected increase in the fund balance of \$435. Actual results were total revenues of \$4,225 and total expenditures of \$3,312, resulting in revenues exceeding expenditures by \$913.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At the end of fiscal year 2018, the Cooperation had \$4,862 invested in equipment. (See Table 3 below)

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

	2018	2017
Land	\$-	\$-
Buildings and improvements	-	-
Equipment	11,187	11,187
Total Capital Assets	11,187	11,187
Accumulated depreciation	(6,325)	(4,726)
Capital Assets, Net	\$4,862	\$6,461

During the year the Cooperation did not purchase any new capital assets.

Further details on capital assets can be found in the notes to the financial statements.

#### **Debt**

The Cooperation has no outstanding debt at year-end.

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

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

### **CONTACTING THE COOPERATION FINANCIAL MANAGEMENT**

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

**Upper Peninsula Region of Library Cooperation, Inc.**

STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUNDS BALANCE SHEET

September 30, 2018

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 336,525	\$ -	\$ 336,525
Due from state	-	-	-
Accounts receivable	6,073	-	6,073
Prepaid expenses	-	-	-
Other current assets	254	-	254
Non-Current Assets:			
Capital assets, net of depreciation	-	4,862	4,862
<b>TOTAL ASSETS</b>	<u>342,852</u>	<u>4,862</u>	<u>347,714</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>\$ 342,852</u></u>		
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ 425	-	425
Due to members	6,106	-	6,106
Non-Current Liabilities:			
Accrued paid time off	-	3,655	3,655
<b>TOTAL LIABILITIES</b>	<u>6,531</u>	<u>3,655</u>	<u>10,186</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>6,530</u>	<u>-</u>	<u>6,530</u>
<b>FUND BALANCE</b>			
Non-spendable			
Prepaid expenses	-	-	-
Restricted:			
Member restricted	6,106	(6,106)	-
Assigned:			
UPRLC Continuing Education	3,067	(3,067)	-
Paid time off	3,654	(3,654)	-
Automated Library Service General	312,979	(312,979)	-
Unassigned:			
UPRLC General	3,985	(3,985)	-
<b>TOTAL FUND BALANCE</b>	<u>329,791</u>	<u>(329,791)</u>	<u>-</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<u><u>\$ 342,852</u></u>		
<b>NET POSITION</b>			
Net investment in capital assets		4,862	4,862
Restricted		6,106	6,106
Unrestricted		320,030	320,030
<b>TOTAL NET POSITION</b>		<u><u>\$ 330,998</u></u>	<u><u>\$ 330,998</u></u>

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

**Upper Peninsula Region of Library Cooperation, Inc.**

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

September 30, 2018

**Total Fund Balances for Governmental Funds** **\$ 329,791**

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

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

Cost of capital assets	\$ 11,187	
Accumulated depreciation	<u>(6,325)</u>	4,862

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 personal time off.

(3,655)

**NET POSITION OF GOVERNMENTAL ACTIVITIES**

**\$ 330,998**

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

**Upper Peninsula Region of Library Cooperation, Inc.**

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

For the year ended September 30, 2018

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>EXPENDITURES/EXPENSES:</b>			
Library services	\$ 342,311	\$ (4,509)	\$ 337,802
Capital outlay	-	-	-
Loss on disposal of asset	-	-	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>342,311</b>	<b>(4,509)</b>	<b>337,802</b>
	<hr/>	<hr/>	<hr/>
<b>PROGRAM REVENUES:</b>			
Charges for services	<u>374,471</u>	<u>-</u>	<u>374,471</u>
	<hr/>	<hr/>	<hr/>
<b>TOTAL PROGRAM REVENUES</b>	<b>374,471</b>	<b>-</b>	<b>374,471</b>
	<hr/>	<hr/>	<hr/>
<b>NET PROGRAM EXPENSE</b>			<u>36,669</u>
			<hr/>
<b>GENERAL REVENUES:</b>			
Interest income	1,426	-	1,426
Miscellaneous	<u>1,488</u>	<u>-</u>	<u>1,488</u>
	<hr/>	<hr/>	<hr/>
<b>TOTAL GENERAL REVENUES</b>	<b>2,914</b>	<b>-</b>	<b>2,914</b>
	<hr/>	<hr/>	<hr/>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>35,074</b>	<b>(35,074)</b>	
<b>CHANGE IN NET POSITION</b>		<b>39,583</b>	<b>39,583</b>
<b>FUND BALANCE/NET POSITION:</b>			
Beginning of the year	<u>294,717</u>		<u>291,415</u>
	<hr/>		<hr/>
<b>END OF YEAR</b>	<b><u>\$ 329,791</u></b>		<b><u>\$ 330,998</u></b>
	<hr/>		<hr/>

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

**Upper Peninsula Region of Library Cooperation, Inc.**

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

For the year ended September 30, 2018

**Net Change in Fund Balances - Total Governmental Funds** **\$ 35,074**

*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	\$ (1,599)	
Capital Outlay	-	
Loss on Disposal of Assets	-	(1,599)

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.

6,108

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 39,583**

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

UPPER PENINSULA REGION OF LIBRARY COOPERATION, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

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

The Upper Peninsula Region of Library Cooperation, Inc. (the Cooperation) is a non-profit corporation under the Internal Revenue Code section 501(c)(3). Its purpose and mission is to facilitate the sharing of information resources among its members. The Cooperation's membership consists of school, school/public, public, academic and special libraries throughout the Upper Peninsula and Northern Michigan. As all the Cooperation's members are schools or libraries, which utilize governmental financial reporting standards, the Cooperation has elected to present its financial statements under governmental standards as set by the Governmental Accounting Standards Board (GASB).

The operations of the Cooperation are accounted for with a separate set of self-balancing accounts. The accounting policies of the Cooperation 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 Cooperation 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 Cooperation as a whole. They include all governmental activities which are generally financed through State sources, charges for services, and other revenues. Equity is classified as net position and displayed in three components – net investment in capital assets, restricted, and unrestricted.

***Fund Financial Statements***

The accounts of the Cooperation are organized on the basis of funds. The operations of the Cooperation'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 Cooperation.

**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:

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

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

### ***Basis of Accounting***

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

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

## OTHER SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

Buildings	50 years
Equipment	3 – 20 years

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

**Deferred Outflows of Resources** – In addition to assets, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government does not have any items that qualify for reporting in this category.

**Compensated Absences** – The Cooperation'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 government has one item that qualifies for reporting in this category:

Deferred inflows of resources are reported in the government-wide and governmental fund financial statements for membership money that is received during the current year, but will be used to finance the subsequent year. The General Fund reported membership money that has been received but is unearned of \$6,530 at the end of the fiscal year.

**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 Cooperation's policy to use the restricted resources first.



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

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

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

**Subsequent Events** – Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through February 2, 2019, which is the date the financial statements were available to be issued.

**NOTE B – ORGANIZATIONAL PURPOSE:**

The Cooperation was formed for the purpose of facilitating the sharing of information resources among the libraries of the Upper Peninsula and Northern Lower Michigan and to enable them to interact with other regional and national electronic bibliographical communication systems. Memberships at present consists of approximately 120 libraries.

**NOTE C – INCOME TAX STATUS:**

The Internal Revenue Service has ruled the Cooperation qualifies under Section 501(c)(3) of the Internal Revenue Code and is, therefore, not subject to tax under present income tax laws.

**NOTE D – CASH AND CASH EQUIVALENTS:**

Cash and Equivalents

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

Cash in demand accounts	\$87,491
Cash in savings accounts	249,034
Total	<u>\$336,525</u>

*Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the Cooperation's deposits may not be returned to it. State law does not require and the Cooperation does not have a deposit policy for custodial credit risk. The carrying amount of the Cooperation's deposits with financial institutions was \$336,525 and the bank balance was \$349,799. Of the bank balance, \$349,799 or approximately 100% was covered by federal depository insurance according to FDIC regulations. The bank balance is categorized as follows:

Amount insured by the FDIC	\$349,799
Amount collateralized	-
Amount uncollateralized and uninsured	-
Total	<u>\$349,799</u>

## NOTE D – CASH AND INVESTMENTS (Continued):

### Investments

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of September 30, 2018, the Cooperation did not have any investments.

### *Credit Risk*

Michigan statutes (Act 196, PA 1997) authorize governmental units 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 Cooperation has no investment policy that would further limit its investment choices.

### *Concentration of Credit Risk*

The Cooperation places no limit on the amount the Organization may invest in any one issuer.

### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Cooperation's investments. The Cooperation 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.

## NOTE E – CAPITAL ASSETS:

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

	Balance 9/30/17	Additions	Disposals	Balance 9/30/18
Asset Cost:				
Land	\$-	\$-	\$-	\$-
Buildings and improvements	-	-	-	-
Equipment	11,187	-	-	11,187
Total Asset Cost	11,187	-	-	11,187
Accumulated Depreciation:				
Buildings and improvements	-	-	-	-
Equipment	(4,726)	(1,599)	-	(6,325)
Total Accumulated Depreciation	(4,726)	(1,599)	-	(6,325)
Net Capital Assets	\$6,461	(\$1,599)	\$-	\$4,862

Depreciation expense charged to governmental activities was \$1,599.

**NOTE F – DUE TO MEMBERS:**

Throughout the year and in past years the Cooperation has received money from some of its members that are to be used at the discretion of the member but held by the Cooperation. As of September 30, 2018 monies held on behalf of members is as follows:

Due to L'Anse School Public Library	\$442
Due to MAPS – Graveraet School Library	100
Due to Lake Superior State University	3,433
Due to Gladstone School Public Library	500
Due to Spies Public Library	1,591
Due to Menominee County Library	-
Due to Gogebic Community College	40
Due to Bay Mills Community College	-
Due to Members at September 30, 2018	<u>\$6,106</u>

The monies held on behalf of members is classified as “restricted” on the Statement of Net Position and Governmental Funds Balance Sheet.

**NOTE G – 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 leave 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 Cooperation. The entity’s personal time off policy provides for up to one-half of an employee’s accumulated personal time off 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 Cooperation. The Cooperation has a management contract with the Superiorland Library Cooperative that includes personnel. The non-current portion of accumulated personal time off payable as of September 30, 2018 is as follows:

	Balance 9/30/17	Additions	Disposals	Balance 9/30/18	Due within One Year
Paid Time Off:					
Personal time off	\$3,734	\$-	(\$1,856)	\$1,878	\$-
Vacation	6,029	-	(4,252)	1,777	-
Total Paid Time Off	<u>\$9,763</u>	<u>\$-</u>	<u>(\$6,108)</u>	<u>\$3,655</u>	<u>\$-</u>

**NOTE H – UNEARNED REVENUES:**

Certain member libraries participating in the Automated Library System (ALS) are being assessed operational fees. Monies collected in advance are being recorded as deferred inflows of resources (unearned revenues). The purpose of ALS is to facilitate the sharing of information resources among the participating libraries.

Manistique School and Public Library	\$4,529
Bessemer Public Library	2,001
Menominee County Library	-
Total	<u>\$6,530</u>

## NOTE I – FUND BALANCES – GOVERNMENTAL FUNDS:

As of September 30, 2018, fund balances of the governmental funds are classified as follows:

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

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

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

*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 Cooperation's adopted policy, only the Board of Trustees may assign amounts for specific purposes.

*Unassigned* — all other spendable amounts.

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

	<u>General Fund</u>
Non-spendable	
Prepaid expenses	\$-
Restricted:	
Member restricted - ALS	6,106
Assigned:	
Continuing education	3,067
Compensated absences	3,654
Automated Library System	312,979
Unassigned	<u>3,985</u>
Total Fund Balances	<u>\$329,791</u>

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

## **NOTE J – SINGLE AUDIT:**

The Cooperation's audited financial statements reported no federal expenditures. As the amount is less than the single audit threshold of \$750,000 an audit in accordance with the Uniform Guidance is not required.

## **NOTE K – NEW GASB STANDARDS:**

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

### Recently Issued and Adopted Accounting Pronouncements

None.

### Other Recently Issued Accounting Pronouncements

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

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. GASB 85 provides guidance on a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). Some of the items specifically addressed relate to the following: 1) Measuring certain money market investments and participating interest-earning investment contracts at amortized cost 2) Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus 3) Recognizing on-behalf payments for pension or OPEB in employer financial statements 4) Presenting payment-related measures in required supplementary information for purposes or reporting by OPEB plans and employers that provide OPEB 5)

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

Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plan. This statement is effective for periods beginning after June 15, 2017. The Cooperation does not have pension and OPEB plans that meet the criteria for GASB 85; therefore, GASB 85 is not applicable to the Cooperation.

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

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

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

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

### GASB 83: Certain Asset Retirement Obligations

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

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

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

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

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

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

This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs.

### GASB 84: Fiduciary Activities

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

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

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

### GASB 87: Leases

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

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

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

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

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

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

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

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

### GASB 89: Accounting for Interest Cost incurred before the end of a Construction Period

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

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

### GASB 90: Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61

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

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

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



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

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

**REQUIRED SUPPLEMENTAL INFORMATION**

**Upper Peninsula Region of Library Cooperation, Inc.**

GENERAL FUND

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

For the year ended September 30, 2018

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>				
Membership	\$ 315,510	\$ 316,267	\$ 315,367	\$ (900)
Interest	1,000	1,310	1,426	116
Sale services - re-billed	92,000	92,000	59,104	(32,896)
Communications reimbursement	-	-	-	-
Miscellaneous revenue	501	637	1,488	851
	<u>409,011</u>	<u>410,214</u>	<u>377,385</u>	<u>(32,829)</u>
<b>TOTAL REVENUES</b>				
<b>EXPENDITURES:</b>				
Professional and Contractual:				
Management	152,649	146,964	136,011	10,953
Legal	-	-	-	-
Accounting	-	-	1,320	(1,320)
Other	-	-	440	(440)
Printing and publishing	500	-	-	-
Office expenses	500	500	-	500
Information technology	3,000	1,000	95	905
Travel	1,500	1,500	501	999
Conference, conventions, and meetings	8,980	11,800	7,840	3,960
Insurance	2,020	1,950	1,859	91
Capital outlay	-	-	-	-
Other Expenses:				
Repairs and maintenance	135,144	135,144	133,203	1,941
Operating supplies	625	625	125	500
Communications	2,000	2,300	1,813	487
Re-billed	92,000	92,000	59,104	32,896
Miscellaneous	-	-	-	-
	<u>398,918</u>	<u>393,783</u>	<u>342,311</u>	<u>51,472</u>
<b>TOTAL EXPENDITURES</b>				
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	10,093	16,431	35,074	18,643
Fund balance, beginning of year	294,717	294,717	294,717	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 304,810</u>	<u>\$ 311,148</u>	<u>\$ 329,791</u>	<u>\$ 18,643</u>

## OTHER SUPPLEMENTAL INFORMATION

Upper Peninsula Region of Library Cooperation, Inc.

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the year ended September 30, 2018

	Assigned				Unassigned	Totals
	Northern Michigan Library Network	Continuing Education	Paid Time Off	Automated Library Service General	UPRLC General	
<b>REVENUES:</b>						
Membership	\$ -	\$ 4,225	\$ -	\$ 308,502	\$ 2,640	\$ 315,367
Interest	-	-	-	1,426	-	1,426
Sale services - re-billed	-	-	-	59,104	-	59,104
Communications reimbursement	-	-	-	-	-	-
Miscellaneous revenue	501	-	-	851	136	1,488
<b>TOTAL REVENUES</b>	<b>501</b>	<b>4,225</b>	<b>-</b>	<b>369,883</b>	<b>2,776</b>	<b>377,385</b>
<b>EXPENDITURES:</b>						
Professional and Contractual:						
Management	-	-	-	136,011	-	136,011
Legal	-	-	-	-	-	-
Accounting	1,320	-	-	-	-	1,320
Other	-	-	-	-	440	440
Printing and publishing	-	-	-	-	-	-
Office expenses	-	-	-	-	-	-
Information technology	-	-	-	95	-	95
Travel	-	-	-	501	-	501
Conference, conventions, and meetings	-	3,312	-	4,450	78	7,840
Insurance	558	-	-	351	950	1,859
Capital outlay	-	-	-	-	-	-
Other Expenses:						
Repairs and maintenance	-	-	-	133,203	-	133,203
Operating supplies	-	-	-	125	-	125
Communications	-	-	-	1,813	-	1,813
Re-billed	-	-	-	59,104	-	59,104
Miscellaneous	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>1,878</b>	<b>3,312</b>	<b>-</b>	<b>335,653</b>	<b>1,468</b>	<b>342,311</b>

**Upper Peninsula Region of Library Cooperation, Inc.**

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the year ended September 30, 2018

	<u>Assigned</u>				<u>Unassigned</u>	<u>Totals</u>
	<u>Northern Michigan Library Network</u>	<u>Continuing Education</u>	<u>Paid Time Off</u>	<u>Automated Library Service General</u>	<u>UPRLC General</u>	
<b>EXCESS REVENUES OVER (UNDER ) EXPENDITURES</b>	\$ (1,377)	\$ 913	\$ -	\$ 34,230	\$ 1,308	\$ 35,074
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	1,377	-	-	4,732	-	6,109
Transfers (out)	-	-	(6,109)	-	-	(6,109)
<b>TOTAL FINANCING SOURCES (USES)</b>	<u>1,377</u>	<u>-</u>	<u>(6,109)</u>	<u>4,732</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN FUND BALANCES</b>	-	913	(6,109)	38,962	1,308	35,074
Fund balances, beginning of year	-	2,154	9,763	280,123	2,677	294,717
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ -</u>	<u>\$ 3,067</u>	<u>\$ 3,654</u>	<u>\$ 319,085</u>	<u>\$ 3,985</u>	<u>\$ 329,791</u>

## COMPLIANCE SECTION



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

To the Board of Trustees of the  
Upper Peninsula Region of Library Cooperation, Inc.  
1615 Presque Isle Avenue  
Marquette, Michigan 49855

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Peninsula Region of Library Cooperation, Inc. (the Cooperation), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Cooperation's basic financial statements and have issued our report thereon dated February 2, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Cooperation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Report to Management that we consider to be significant deficiencies item 2018-001.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Cooperation'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 did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The Cooperation's Response to Findings**

The Cooperation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Cooperation'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 2, 2019

## COMMUNICATIONS SECTION



***Upper Peninsula Region of Library Cooperation, Inc.***  
***Report to Management***  
***For the Year Ended September 30, 2018***

To the Board of Trustees of the  
Upper Peninsula Region of Library Cooperation, Inc.  
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 Upper Peninsula Region of Library Cooperation, Inc. (the Cooperation) as of and for the year ended September 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Cooperation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperation'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 the Cooperation's internal control to be significant deficiencies:

**SIGNIFICANT DEFICIENCIES**

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

**Condition/Criteria:** The size of the Cooperation'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 Board of Trustees  
of the Upper Peninsula Region of Library Cooperation, Inc.

**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 Cooperation's financial affairs by the Board of Trustees.

**Management Response-Corrective Action Plan:**

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

The Cooperation'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 Trustees, 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 2, 2019



***Upper Peninsula Region of Library Cooperation, Inc.***  
***Communication with Those Charged with Governance***  
***For the Year Ended September 30, 2018***

February 2, 2019

To the Board of Trustees of the  
Upper Peninsula Region of Library Cooperation, Inc.  
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 Upper Peninsula Region of Library Cooperation, Inc. (the Cooperation) for the year ended September 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 5, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Cooperation are described in the notes to the financial statements. Newly adopted GASB standards are disclosed in the notes to the financial statements. We noted no transactions entered into by the Cooperation 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 Cooperation's financial statements were:

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

Board of Trustees of the  
Upper Peninsula Region of Library Cooperation, Inc.

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.

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

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

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

#### *Disagreements with Management*

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

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated February 2, 2019.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Cooperation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

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

Board of Trustees of the  
Upper Peninsula Region of Library Cooperation, Inc.

Our consideration of internal control over financial reporting was for the limited purpose described in a separate letter and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Report to Management that we consider to be significant deficiencies in internal control over financial reporting (2018-001).

#### Other Matters

We applied certain limited procedures to the required supplementary information as listed in the table of contents, 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 the other supplemental information, as listed in the table of contents, 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.

#### Restriction on Use

This information is intended solely for the use of the Board of Trustees and management of the Cooperation 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

# *Upper Peninsula Region of Library Cooperation*

*1615 Presque Isle Avenue*

*Marquette, MI 49855*

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

f: (906) 228-5627  
[pamc@uproc.lib.mi.us](mailto:pamc@uproc.lib.mi.us)

<p><i>Corrective Action Plan</i> For the Year Ended September 30, 2018</p>
--

February 2, 2019

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

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

**Corrective Action Plan:**

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