

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE

FLINT, MICHIGAN

AUDIT REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2021

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December 10, 2021

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Mideastern Michigan Library Cooperative

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Mideastern Michigan Library Cooperative (the "Cooperative") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Cooperative'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 Cooperative'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.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Mideastern Michigan Library Cooperative as of September 30, 2021, 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.

-I-

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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 identified 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 Mideastern Michigan Library Cooperative's basic financial statements. The additional supplementary information, as identified in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
MANAGEMENT DISCUSSION AND ANALYSIS

As management of the Mideastern Michigan Library Cooperative, we offer readers of the Mideastern Michigan Library Cooperative's financial statements this narrative overview and analysis of the financial activities of the Mideastern Michigan Library Cooperative for the fiscal year ended September 30, 2021.

Financial Highlights

- * The assets of the Cooperative exceeded its liabilities at the close of the most recent fiscal year by \$681,664 (net position).
- * The Cooperative's total net position increased by \$29,768.

Governmental Activities

- * The general fund had an increase in fund balance of \$36,485. Total fund balance for the general fund was \$701,135.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Cooperative financially as a whole. The Government-Wide Financial Statements provide information about the activities of the whole Cooperative, presenting both an aggregate view of the Cooperative's finances and a longer-term view of those finances. The financial statements then proceed to provide an increasingly detailed look at specific financial activities included in the fund financial statements. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements provide information about the Cooperative's General Fund.

Reporting the Cooperative as a Whole

The Statement of Net Position and Statement of Activities - One of the most important questions asked about the Cooperative's finances is, "Is the Cooperative better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the Cooperative's financial statements, report information about the Cooperative as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities of the Cooperative using the accrual basis of accounting, which is similar to the accounting used by private-sector corporations. However, the Cooperative's goal is to provide services to aid and assist member libraries in their endeavors to better serve the public, not to generate profits as private-sector corporations do. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

The statement of net position and the statement of activities present information about the following:

Governmental Activities - All of the Cooperative's basic services are considered to be governmental activities. Charges for services and state sources finance most of these activities. These two statements report the Cooperative's net position and changes therein. The change in net position provides the reader a tool to assist in determining whether the Cooperative's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as political conditions at the State Capitol in arriving at their conclusion regarding the overall health of the Cooperative.

The government-wide financial statements can be found on pages 1 - 2 of this report.

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
MANAGEMENT DISCUSSION AND ANALYSIS

Reporting the Cooperative as a Whole (Continued)

Reporting the Cooperative's Most Significant Funds

Fund Financial Statements - The fund financial statements provide detailed information about the most significant funds - not the Cooperative as a whole. The fund financial statements begin on page 3 and provide detailed information about the most significant funds. The Cooperative's two types of funds: governmental funds and fiduciary funds use different accounting approaches as further discussed in the notes to the financial statements. In the fund financial statements, capital assets purchased with cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

Governmental Funds - Most of the Cooperative's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to 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 less financial resources available to spend in the near future to finance the Cooperative's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

The basic governmental fund financial statements can be found on pages 3 and 5 of this report.

Fiduciary Funds - The Cooperative is the trustee, or fiduciary, for its member libraries. We exclude these activities from the Cooperative's other financial statements because the assets cannot be utilized by the Cooperative to finance its operations. The Cooperative's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

The basic fiduciary fund financial statement can be found on pages 7 and 8 of this report.

Additional Information - The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 9 - 14 of this report.

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF NET POSITION:

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	
	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Other Assets	\$705,171	\$668,147
Capital Assets	<u>3,768</u>	<u>5,125</u>
Total Assets	\$708,939	\$673,272
 <u>Liabilities</u>		
Other Liabilities	4,036	3,497
Long-Term Liabilities	<u>23,239</u>	<u>17,879</u>
Total Liabilities	\$27,275	\$21,376
 <u>Net Position</u>		
Net Investment in Capital Assets	3,768	5,125
Unrestricted	<u>677,896</u>	<u>646,771</u>
 <u>TOTAL NET POSITION</u>	 <u>\$681,664</u>	 <u>\$651,896</u>

The above analysis focuses on the net position. The change in net position of the Cooperative's governmental activities is discussed below. The net position differs from fund balances and the reconciliation appears on page 4.

The Cooperative's net position reflects its investment in capital assets, and capital projects (i.e. furniture and equipment), less any related debt used to acquire those assets that are still outstanding. The Cooperative uses these capital assets to provide aid and assist member libraries in their endeavors to better serve the public; consequently, these assets are not available for future spending. Although the Cooperative's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The results of this year's operations for the Cooperative as a whole are reported in the statement of activities (see table above), which shows the changes in net position for fiscal year 2021.

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS:

For the fiscal years ended September 30, 2021 and 2020, the Cooperative wide results of operations were:

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	
	<u>2021</u>	<u>2020</u>
Revenues:		
Charges for Services	\$60,968	\$99,770
State Aid	544,116	502,264
Interest Income	13,265	26,653
Miscellaneous	<u>846</u>	<u>1,187</u>
Total Revenues	\$619,195	\$629,874
Expenditures:		
Operating	257,954	252,203
Program and Projects	<u>331,473</u>	<u>348,500</u>
Total Expenses	<u>\$589,427</u>	<u>\$600,703</u>
<u>Net Change in Net Position</u>	<u>\$29,768</u>	<u>\$29,171</u>

The Cooperative's net position increased by \$29,768 during the current fiscal year. The increase in net position differs from the change in fund balances and the reconciliation appears on page 6.

Budgeting and Operating Highlights

The Cooperative's budgets are prepared according to Michigan law. The most significant budgeted fund is the General Fund.

During the fiscal year ended September 30, 2021, the Cooperative amended the budget one time during the year. State law requires that the budget be amended to ensure that expenditures do not exceed appropriation. A schedule showing the Cooperative's General Fund original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

General Fund

The general fund actual revenue was \$619,195. The amount is less than the final budget estimate of \$619,794. The variance was \$599 or less than 1%.

The actual expenditures of the general fund was \$582,710, which is less than the final budget estimate of \$619,794 by \$37,084 or 6%. The variance was due to a reduction of transportation and miscellaneous expenses.

The general fund had total revenues of \$619,195 and total expenditures of \$582,710 with a net increase in fund balance of \$36,485 and an ending fund balance of \$701,135.

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
MANAGEMENT DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

A. Capital Assets

The Cooperative's investment in capital assets for its governmental activities as of September 30, 2021 amounted to \$3,768 (net of accumulated depreciation). This investment in capital assets included equipment and furniture. Capital assets at fiscal year-end included the following:

	Capital Assets (Net of Depreciation)	
	<u>2021</u>	<u>2020</u>
Equipment and Furniture	<u>\$3,768</u>	<u>\$5,125</u>

Additional information on the Cooperative's capital assets can be found in Note 3.

B. Debt

At the end of the current fiscal year, the Cooperative had total long-term debt outstanding of \$23,239. Long-term debt at fiscal year-end included the following:

	Governmental	
	<u>2021</u>	<u>2020</u>
Compensated Absences	<u>\$23,239</u>	<u>\$17,879</u>

Additional information on the Cooperative's long-term debt can be found in Note 4.

Economic Factors and Next Year's Budget

* The Cooperative 2021/2022 adopted budget is as follows:

	<u>General Fund</u>
<u>REVENUE</u>	\$707,750
<u>EXPENDITURES</u>	<u>707,750</u>
<u>NET OVER BUDGET</u>	<u>\$0</u>

CONTACTING THE COOPERATIVE'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Cooperative's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director at Mideastern Michigan Library Cooperative.

BASIC FINANCIAL STATEMENTS

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$694,717
Accounts Receivable	8,633
Due from Other Funds	1,821
Capital Assets	13,246
Less: Accumulated Depreciation	<u>(9,478)</u>
<u>TOTAL ASSETS</u>	\$708,939
<u>LIABILITIES</u>	
Accrued Payroll	4,036
Compensated Absences	<u>23,239</u>
Total Liabilities	\$27,275
<u>NET POSITION</u>	
Net Investment in Capital Assets	3,768
Unrestricted	<u>677,896</u>
<u>TOTAL NET POSITION</u>	<u>\$681,664</u>

See notes to the financial statements

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense)
		<u>Charges For</u>	<u>Operating</u>	Revenue and
		<u>Services</u>	<u>Grants and</u>	Changes in Net
			<u>Contributions</u>	Position
				<u>Governmental</u>
				<u>Activities</u>
Governmental Activities:				
General Administration	\$589,427	\$60,968	\$0	(\$528,459)
General Revenues:				
State Aid				544,116
Interest Income				13,265
Miscellaneous				846
Total General Revenues				<u>\$558,227</u>
Change in Net Position				<u>\$29,768</u>
Net Position - Beginning of Year				<u>651,896</u>
<u>Net Position - End of Year</u>				<u><u>\$681,664</u></u>

See notes to the financial statements.

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$694,717
Accounts Receivable	8,633
Due from Other Funds	<u>1,821</u>
<u>TOTAL ASSETS</u>	<u>\$705,171</u>
<u>LIABILITIES</u>	
Accrued Payroll	\$4,036
<u>FUND BALANCES</u>	
Unassigned	<u>701,135</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$705,171</u>

See notes to the financial statements.

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2021

Total Governmental Fund Balances:		\$701,135
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds		
Capital Assets		\$13,246
Less: Accumulated Depreciation		<u>(9,478)</u>
Capital Assets, Net of Accumulated Depreciation		3,768
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Compensated Absences		<u>(23,239)</u>
<u>TOTAL NET POSITION -</u>		
<u>GOVERNMENTAL ACTIVITIES</u>		<u><u>\$681,664</u></u>

See notes to the financial statements.

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund
<u>REVENUES</u>	
Charges for Services	\$60,968
State Aid	544,116
Interest Income	13,265
Miscellaneous	846
Total Revenues	\$619,195
 <u>EXPENDITURES</u>	 582,710
 <u>NET CHANGE IN FUND BALANCE</u>	 \$36,485
 <u>FUND BALANCE - BEGINNING</u>	 664,650
 <u>FUND BALANCE - ENDING</u>	 \$701,135

See notes to financial statements.

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Total net change in fund balances - governmental funds		\$36,485
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		
Purchase of Fixed Assets	\$0	
Depreciation Expense	(1,357)	
Total	(1,357)	(1,357)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated Absences		(5,360)
<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>		\$29,768

See notes to financial statements.

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
SEPTEMBER 30, 2021

	<u>Trust & Agency</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$1,275,319</u>
<u>TOTAL ASSETS</u>	<u>\$1,275,319</u>
<u>LIABILITIES</u>	
Due to Other Fund	\$1,821
Due to Other Libraries	<u>1,273,498</u>
<u>TOTAL LIABILITIES</u>	<u>\$1,275,319</u>

See notes to the financial statements.

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
STATEMENT OF CHANGES FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Fiduciary Fund</u>
<u>REVENUE</u>	
Receipts from Member Libraries	\$844,075
<u>EXPENDITURES</u>	
Co-Op Reimbursements	70,348
Other Disbursements	<u>924,286</u>
Total Expenditures	<u>\$994,634</u>
<u>CHANGE IN NET POSITION</u>	(\$150,559)
<u>NET POSITION - BEGINNING OF YEAR</u>	<u>1,424,057</u>
<u>NET POSITION - END OF YEAR</u>	<u>\$1,273,498</u>

See notes to the financial statements.

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Mideastern Michigan Library Cooperative was established under Michigan Public Act 286, 1965, known as the State Aid to Public Libraries Act of 1965 as amended by Public Act 89, 1977. The service area of the Cooperative is all of Genesee, Bay, Lapeer, Shiawassee and portions of Midland, Saginaw, Oakland, Isabella, Ingham and Clare Counties. The Cooperative itself does not provide direct service to the public; rather, it aids and assists member libraries in their endeavors to better serve the public. Funds for the Cooperative's operation come from local, state, and federal sources.

The general purpose financial statements of the Mideastern Michigan Library Cooperative have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Cooperative's accounting policies are described below:

REPORTING ENTITY

The Mideastern Michigan Library Cooperative is the basic level of government which has financial accountability and control over all activities related to the Cooperative within the geographical area known as Mideastern Michigan. The Cooperative receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the Cooperative is not included in any other governmental "reporting entity" as defined by GASB pronouncement. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement 14 which are included in the Cooperative's reporting entity.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The Cooperative has one fund, the General Fund, which is the Cooperative's primary operating fund.

The General Fund is budgeted and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Cooperative considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. Normally, expenditures are divided between years by the recording of prepaid expenses.

In addition to presenting information for the General Fund, the statements combine all fund activity and present information for the Cooperative as a whole, using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

FIDUCIARY FUND TYPE

Custodial Fund

Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The Custodial fund is used to account for assets held by the Cooperative for the benefit of member libraries outside the Cooperative.

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL STATEMENT AMOUNTS

CASH AND CASH EQUIVALENTS

The Cooperative considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Investments are reported at fair market value and determined using selected bases. Short-term investments are reported at cost, which approximate fair values. Securities traded on a national exchange are valued at the last reported sales price and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

INVESTMENTS

In accordance with Public Act 20 of the Public Acts of 1943, as amended, the surplus funds of the Mideastern Michigan Library Cooperative (MMLC) may be invested as follows:

- a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state of the United States.
- c) Commercial paper rated at the time of purchase within the highest classification established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d) Repurchase agreements consisting of instruments listed in subdivision (a) above. Repurchase agreements shall be negotiated only with dealers or financial institutions with whom the Mideastern Michigan Library Cooperative (MMLC) has negotiated a Master Repurchase Agreement. Repurchase Agreements must be signed with the bank or dealer and must contain provisions comparable to those outlined in the Public Security Association's model Master Repurchase Agreement.
- e) Bankers' acceptances of United States banks.
- f) Mutual funds registered under the investment company act of 1940, maintain a \$1 per share net asset value, and with authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g) Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.

CAPITAL ASSETS

Generally, capital assets are defined by the Cooperative with an initial cost of more than \$1,000. Such assets are recorded at cost or, if donated, at their estimated fair value on the date donated.

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other cost incurred for repairs and maintenance are expensed as incurred.

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL STATEMENT AMOUNTS (Continued)

CAPITAL ASSETS (Continued)

Depreciation on such capital assets is charged as an expense against the operations on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives</u>
Equipment and Furniture	5 - 7 Years

COMPENSATED ABSENCES

The Cooperative reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Sick and vacation leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick and vacation leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the Cooperative's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

DEFERRED OUTFLOWS/INFLOWS 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 or fund balance that applies to a future period (s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The Cooperative does not have any of this type of item.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred outflows of resources, represents an acquisition of net position or fund balance that applies to a future period (s) and thus, will not be recognized as an inflow of resources (revenue) until then. The Cooperative does not have any of this type of item.

FUND BALANCE

Fund balances for each of the Cooperative's governmental funds are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- * Nondspendable fund balance - amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- * Committed fund balance - amounts that can be spent only for specific purposes determined by a formal action resolution of the Cooperative's highest level of decision-making authority, the Board of Trustees.
- * Assigned fund balance - amounts the Cooperative intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The intent is expressed by the Board of Trustees.
- * Unassigned fund balance - amounts that are available for any purpose; these amounts can be reported only in the Cooperative's General Fund.

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL STATEMENT AMOUNTS (Continued)

FUND BALANCE (Continued)

The Cooperative would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserve the right to selectively spend unassigned resources first to defer the use of these classified funds.

NET POSITION

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Cooperative or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 period. Actual results could differ from those estimates.

BUDGETARY DATA

The budgetary process is prescribed by the provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Trustees at the function level. Any budgetary modifications may only be made by resolution of the Board of Trustees.

The Cooperative follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) Prior to the beginning of the ensuing fiscal year, the Cooperative Board passes a general appropriations act reflecting formal budget approval in accordance with the Michigan Uniform Budget Act.
- 2) Budgeted amounts in this report are as originally adopted or as amended by the Cooperative Board. Amendments to the original appropriations were made due to changes anticipated in the areas of membership and state aid.

2) DEPOSITS

As of September 30, 2021, the Cooperative had no investments.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Cooperative’s deposits may not be returned to it. As of September 30, 2021, \$189,444 of the Cooperative’s bank balance of \$2,077,988 was exposed to custodial credit risk.

Deposits – Including Fiduciary Funds of \$1,275,319	<u>\$ 1,970,036</u>
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The above amounts are reported in the financial statements as follows:

Cash – Fiduciary Fund	\$ 1,275,319
Cash – Government Wide	<u>694,717</u>
<u>TOTAL</u>	<u>\$ 1,970,036</u>

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
NOTES TO FINANCIAL STATEMENTS

3) CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2021, was as follows:

	Balance Beginning	Additions	Deductions	Balance Ending
<u>GOVERNMENTAL ACTIVITIES</u>				
Equipment and Furniture	\$13,246	\$0	\$0	\$13,246
Less: Accumulated Depreciation	(8,121)	(1,357)	0	(9,478)
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	\$5,125	(\$1,357)	\$0	\$3,768

Depreciation expense was \$1,357 for the year ended September 30, 2021.

4) LONG-TERM DEBT

A summary of the debt outstanding at the Cooperative for the fiscal year ended September 30, 2021 is as follows:

	Balance Beginning	Additions	Deductions	Balance Ending
<u>Governmental Activities:</u>				
Compensated Absences	\$17,879	\$22,640	(\$17,280)	\$23,239

The compensated absences represent the estimated liability to be paid to employees under various sick and vacation pay contracts. Under the Cooperative's various contracts, employees earn vacation and sick time based on time of service with the Cooperative.

5) RENT EXPENSE

The Cooperative is currently renting office space from the Charles Stewart Mott Foundation, located in the Charles Stewart Mott Foundation Building in Flint, Michigan at a monthly rate of \$661. Rent paid for fiscal year ended September 30, 2021 totaled \$7,932. The Cooperative decided to elect the option to extend the term of the lease in 2019 for an additional 3 year period, expiring on September 30, 2022. The Cooperative also rents parking spaces from the Flint DDA at a monthly rental rate of \$120 for an annual total of \$240. This total was for only 2 months due to COVID-19. Total rent expense for the year was \$8,172.

Future obligations under these leases as of September 30, 2021 are:

YEAR ENDING September 30,	AMOUNT
2022	\$ 7,932

6) PENSION PLAN

The Cooperative offers a portable employee owned Simplified Employee Pension Plan (SEPP) under Internal Revenue Code section 408(k) covering substantially all full-time employees. The employee and employer may each elect to contribute to the account of the eligible employee. The employer contribution is determined and reviewed annually by the Board. The current year covered payroll was \$150,933 and the Cooperative's total payroll amounted to \$150,933. The contribution is computed at 18 percent, since October 1, 2015, of full-time employee's wages and amounted to \$27,042 for the year ended September 30, 2021.

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
NOTES TO FINANCIAL STATEMENTS

7) RISK MANAGEMENT

The Cooperative is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The Cooperative limits its exposure to such claims through its participation in and payment of premiums for insurance coverage. The Cooperative's management believes that this provides sufficient coverage to protect the Cooperative from any significant adverse financial impact.

8) INTERFUND RECEIVABLES AND PAYABLES

Interfund balances as of September 30, 2021 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fiduciary Fund	\$ 1,821

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

9) IMPLEMENTATION OF NEW ACCOUNTING STANDARD

During the 2020-21 fiscal year, the Cooperative implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities accounting standard. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The implementation of this standard required that the Cooperative present a Statement of Net Position and a Statement of Changes in Fiduciary Net Position for the Custodial Fund for the fiscal year 2020-21. The implementation of this standard required the Cooperative to reclassify previously reported agency funds as a custodial funds but did not require a restatement of net assets.

10) SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the auditor's opinion, the date on which the financial statements were available to be issued. On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. At the current time, management is unable to quantify the potential effects of this pandemic on future financial statements.

11) UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the Cooperative's 2022 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use 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.

REQUIRED SUPPLEMENTARY
INFORMATION

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUE</u>				
Charges for Services	\$102,770	\$58,794	\$60,968	\$2,174
State Aid	251,000	544,000	544,116	116
Interest Income	20,000	17,000	13,265	(3,735)
Miscellaneous	0	0	846	846
Total Revenue	<u>\$373,770</u>	<u>\$619,794</u>	<u>\$619,195</u>	<u>(\$599)</u>
<u>EXPENDITURES</u>	<u>373,770</u>	<u>619,794</u>	<u>582,710</u>	<u>37,084</u>
<u>REVENUES UNDER EXPENDITURES</u>	<u>\$0</u>	<u>\$0</u>	<u>\$36,485</u>	<u>\$36,485</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>			<u>664,650</u>	
<u>FUND BALANCE - END OF YEAR</u>			<u>\$701,135</u>	

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
NOTES TO FINANCIAL STATEMENTS

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund.

The annual budget is prepared by the Cooperative's Executive Director. The budget is presented to the Board of Trustees for adoption no later than the September meeting each year. Subsequent amendments are approved by the Board of Trustees. The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law.

Unexpended appropriations lapse at year end. The amount of encumbrances outstanding at September 30, 2021 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

A comparison of the actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Trustees) for the General Fund is presented as required supplemental information.

ADDITIONAL SUPPLEMENTARY
INFORMATION

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

EXPENSESOperating

Administrative Salaries and Benefits	\$220,691
Auditing	4,400
Equipment Purchases	2,000
Institutional Dues	1,258
Insurance	3,461
Miscellaneous Expenses	2,922
Office Supplies and Materials	664
Professional Services	3,707
Rent	8,172
Repairs and Maintenance	159
Utilities	3,803
Total Operating	<u>\$251,237</u>

Programs and Projects

Covid Grants	90,500
Innovation and Technology Grants	188,000
Member Library Programming	52,216
Transportation	757
Total Programs and Projects	<u>\$331,473</u>

TOTAL EXPENSES

\$582,710

MIDEASTERN MICHIGAN LIBRARY COOPERATIVE
FIDUCIARY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	BALANCE OCTOBER 1, 2020	RECEIPTS	DISBURSEMENTS	BALANCE SEPTEMBER 30, 2021
Almont - Restricted	\$1,375	\$2,855	\$260	\$3,970
Bay County - Restricted	0	46,697	0	46,697
CADL - Restricted	0	103,880	103,880	0
Chippewa River - Restricted	0	22,394	22,394	0
Coleman - Restricted	1,800	2,004	1,800	2,004
Coleman - Revolving	11,444	1,800	0	13,244
Community District - Restricted	6,373	12,256	11,143	7,486
Community District - Revolving	20,737	6,373	0	27,110
Dryden - Restricted	1,909	1,025	1,909	1,025
Dryden - Revolving	661	1,908	0	2,569
FPL - Restricted Account	36,279	44,421	39,954	40,746
FPL - Revolving Account	302,960	36,279	300,000	39,239
GDL - Restricted	132,586	144,758	133,237	144,107
GDL - Revolving	446,260	132,587	54,660	524,187
Goodland Township - Restricted	1,269	793	1,269	793
Goodland Township - Revolving	538	731	0	1,269
Grace A. Dow - Restricted	30,705	33,265	30,855	33,115
Grace A. Dow - Revolving	73,547	30,705	73,000	31,252
Harrison - Restricted	5,172	2,778	6,162	1,788
Harrison - Revolving	0	5,172	0	5,172
Holly Twp - Restricted	9,242	4,964	9,242	4,964
Holly Twp - Revolving	36,329	9,242	0	45,571
Laingsburg - Restricted	3,825	4,294	3,825	4,294
Laingsburg - Revolving	2,070	3,825	0	5,895
Lapeer District - Restricted	22,749	26,022	23,920	24,851
Lapeer District - Revolving	114,701	22,749	0	137,450
North Branch - Restricted	476	2,304	0	2,780
North Branch - Revolving	5,325	0	0	5,325
Pere Marquette - Restricted	2,036	3,830	3,850	2,016
Pere Marquette - Revolving	686	2,036	686	2,036
Ruth Hughes - Restricted	3,759	4,979	5,974	2,764
Ruth Hughes - Revolving	6,742	3,759	730	9,771
Saginaw - Restricted	44,374	54,071	71,587	26,858
Saginaw - Revolving	12,887	44,374	41,519	15,742
Shiawassee - Restricted	10,836	12,108	11,686	11,258
Shiawassee - Revolving	74,405	10,836	41,092	44,149
Vernon - Restricted	0	2,001	0	2,001
TOTALS	\$1,424,057	\$844,075	\$994,634	\$1,273,498



December 10, 2021

To the Finance Committee of
Mideastern Michigan Library Cooperative

We have audited the financial statements of the governmental activities and the major fund of the Mideastern Michigan Library Cooperative for the year ended September 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards 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 October 12, 2021. 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 Cooperative are described in Note 1 to the financial statements. The application of existing policies was not changed during the 2020-2021 year. During the fiscal year, the Cooperative implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. We noted no transactions entered into by the Cooperative during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the lives of depreciable assets is based on industry standards. We evaluated the key factors and assumptions used to develop the estimate of depreciable lives 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. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

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 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 December 10, 2021.

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 governmental unit'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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

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

Mideastern Michigan Library Cooperative
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December 10, 2021

Restriction on Use

This information is intended solely for the use of the finance committee and management of Mideastern Michigan Library Cooperative and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS