



**LAKELAND LIBRARY COOPERATIVE
KENT COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lakeland Library Cooperative
Grand Rapids, MI

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Lakeland Library Cooperative (the "Cooperative"), as of and for the year ended September 30, 2020, 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 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 and each major fund of the Cooperative, as of

September 30, 2020, 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, the pension schedules, and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2021, on our consideration of the Cooperative’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative’s internal control over financial reporting and compliance.



Gabridge & Company, PLC
Grand Rapids, Michigan
February 16, 2021

Management's Discussion and Analysis

**Lakeland Library Cooperative
Management's Discussion and Analysis
September 30, 2020**

As management of the Lakeland Library Cooperative (the "Cooperative"), we offer readers of the Cooperative's financial statements this narrative overview and analysis of the financial activities of the Cooperative for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with the financial statements, which can be found in this report.

Financial Highlights

- The assets and deferred outflows of the Cooperative exceeded its liabilities and deferred inflows at the close of this fiscal year by \$1,249,682 (shown as *net position*), representing a decrease of \$54,989 over the previous fiscal year. Of this amount, \$975,955 (*unrestricted net position*) may be used to meet the Cooperative's ongoing obligations.
- During the year, the Cooperative received \$1,509,992 in revenues and incurred \$1,564,981 in expenses, resulting in a decrease in net position of \$54,989.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$749,502, or 51% of the General Fund's total expenditures and transfers out.

Overview of the Financial Statements

The Cooperative's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide a broad overview of the Cooperative's financial position. They are presented using a method of accounting that is similar to a private sector business.

The *statement of net position* presents information on all of the Cooperative's assets, deferred inflows and outflows, and liabilities, with the difference being reported as net position. Over time, increases or decreases in net position can serve as a useful indicator of whether the financial position of the Cooperative is improving or deteriorating.

The *statement of activities* presents information showing how the Cooperative's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave and depreciation of capital assets).

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The Cooperative uses fund accounting to ensure compliance with finance-related legal requirements.

Governmental Funds. The Cooperative's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide statements. These items are recorded in the government fund balance as expenditures. No depreciation is recorded on capital items. The balance sheet for governmental funds does not include any capital items or long-term debt. The General, Library Services, and Capital Projects funds of the Cooperative are reported as governmental funds.

The Cooperative adopts an annual appropriated budget for its General and Library Services funds. A budgetary comparison schedule has been provided for both funds to demonstrate compliance with its budget.

Notes to the Financial Statements. The notes to the financial statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report further presents required supplementary information (RSI) that explains the information presented in the financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of overall financial position. In the case of the Cooperative, assets and deferred outflows exceeded liabilities and deferred inflows by \$1,249,682 at the close of the most recent fiscal year. The following table illustrates the varying results of the governmental activities that combine to capture the Cooperative's total net position.

Lakeland Library Cooperative's Net Position

ASSETS	2020	2019
<i>Current Assets</i>		
Cash and Investments	\$ 1,085,629	\$ 1,118,527
Accounts Receivable, Net	-	90
Prepays	65,317	57,020
Total Current Assets	1,150,946	1,175,637
<i>Noncurrent Assets</i>		
Capital Assets not Being Depreciated	76,518	76,518
Capital Assets Being Depreciated, net	197,209	188,098
Total Assets	1,424,673	1,440,253
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	49,786	112,707
Total Deferred Outflows of Resources	49,786	112,707
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	7,943	2,926
Due to Member Libraries	27,278	7,586
Payroll Liabilities	30,284	47,851
Compensated Absences, Current	6,021	7,691
Total Current Liabilities	71,526	66,054
<i>Noncurrent Liabilities</i>		
Net Pension Liability	88,093	133,729
Compensated Absences, Long-term	38,464	28,971
Total Liabilities	198,083	228,754
DEFERRED INFLOWS OF RESOURCES		
Pension Related	26,694	19,535
Total Deferred Inflows of Resources	26,694	19,535
NET POSITION		
Investment in Capital Assets	273,727	264,616
<i>Unrestricted</i>	975,955	1,040,055
Total Net Position	\$ 1,249,682	\$ 1,304,671

A portion of the Cooperative's net position (\$273,727, or 22%) reflects its investment in capital assets (e.g., land, buildings and improvements, equipment, furniture, and vehicles). The Cooperative uses these capital assets to provide a variety of services to its members. Accordingly, these assets are not available for future spending.

The remaining balance of \$975,955, or 78%, is unrestricted and may be used to meet the Cooperative's ongoing obligations to its creditors.

Cash and investments decreased by \$32,898, which, as one would expect, is similar to the decrease in fund balance of \$31,833. Due to member libraries increased by \$19,692 as the Cooperative only incurred half the cost but still requires full payments to the Libraries. The timing of year-end payroll decreased payroll liabilities by \$17,567. Actual pension investment returns exceeded estimated pension investment returns resulting in a decrease in net pension liability by \$45,636 and its related deferred outflow of resources by \$62,921.

Governmental Activities. During the current fiscal year, net position for governmental activities decreased \$54,989 from the prior fiscal year for an ending balance of \$1,249,682.

Lakeland Library Cooperative's Changes in Net Position

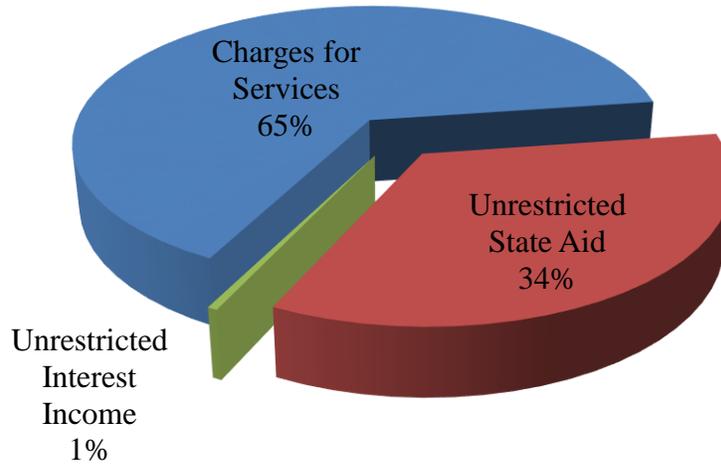
Revenues	2020	2019
Program Revenues		
Charges for Services	\$ 985,148	\$ 713,926
<i>Total Program Revenues</i>	<u>985,148</u>	<u>713,926</u>
General Revenues		
Unrestricted State Aid	518,020	518,624
Unrestricted Interest Income	6,824	10,378
<i>Total Revenues</i>	<u>1,509,992</u>	<u>1,242,928</u>
Expenses		
Administration	437,818	433,776
Delivery Service	194,740	207,838
Cataloging	204,854	190,169
Information Technology	202,910	130,673
Integrated Library System	268,435	286,084
Other	256,224	-
<i>Total Expenses</i>	<u>1,564,981</u>	<u>1,248,540</u>
<i>Change in Net Position</i>	(54,989)	(5,612)
<i>Net Position at Beginning of Period</i>	<u>1,304,671</u>	<u>1,310,283</u>
<i>Net Position at End of Period</i>	<u>\$ 1,249,682</u>	<u>\$ 1,304,671</u>

Information technology increased by \$72,237 due to non-capital-outlay project costs related the cloud hosting project. In the current year, the Cooperative changed how it handles the services provided to the Libraries. This resulted in an increase in charges for services by \$271,222, of which \$256,224 is related to pass through expenses to the libraries. A corresponding \$256,224 in other expenses is shown as well.

Governmental Activities

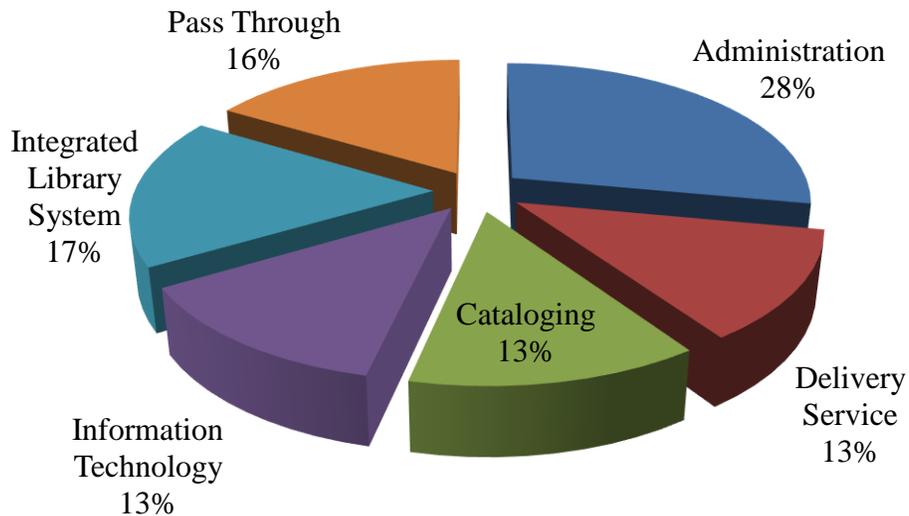
The following chart summarizes the revenue sources of the Cooperative for the most recent fiscal year-end:

Governmental Activities Revenues



The following chart summarizes the expenses of the Cooperative for the most recent fiscal year-end:

Governmental Activities Expenses



Financial Analysis of the Government's Funds

As noted earlier, the Cooperative uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The General Fund reported a fund balance of \$900,040. Of this amount \$749,502, or 83%, is unassigned. This is a decrease in fund balance of \$217,234 from the previous year. This is due to the funding of the new capital projects fund with a transfer out of \$301,000 during the year.

The Library Services Fund, a new major fund, reported pass through revenues and expenditures of \$256,224 resulting in a fund balance of \$0.

The Capital Projects Fund, a new major fund, increased by \$185,401 for an ending fund balance of \$185,401. Its sole source of revenue was a transfer in of \$301,000 from the General Fund.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there were no significant amendments to original estimated revenues or budgeted appropriations.

Final budget compared to actual results. The Cooperative had the following minor expenditures in excess of the amounts appropriated during the year ended September 30, 2020:

Function	Final Budget	Actual Amount	Variance
Cataloging	\$ 201,550	\$ 204,854	\$ (3,304)
Information Technology	124,701	128,216	(3,515)

Capital Asset and Debt Administration

Capital Assets The Cooperative’s investment in capital assets at year-end amounted to \$273,727 (net of accumulated depreciation). This amount complies with methods established by the Governmental Accounting Standards Board (GASB) for implementation of GASB Statement 34. More information on the Cooperative’s capital assets is available in the Notes to the Financial Statements section of this document.

Long-term Debt At the end of the current fiscal year, the Cooperative had no long-term debt outstanding, exclusive of compensated absences. Detailed information on the Cooperative’s long-term obligations for compensated absences is available in the Notes to the Financial Statements section of this document.

Economic Factors and Next Year’s Budgets and Rates

Management estimates consistent revenues to be available for appropriation in the General Fund in the upcoming budget. Expenditures are expected to change by small amounts compared to 2020. The Cooperative continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2021, the Cooperative plans again to use current revenues to provide essential services and to maintain the Cooperative’s financial reserves at similar levels. The ongoing costs of providing essential services for the members of the Cooperative will again need to be monitored in order to maintain the financial condition of the Cooperative. Additionally, the Cooperative is

currently working to determine the significance that the COVID-19 Pandemic will have on the Cooperative's upcoming revenues and expenditures.

Requests for Information

This financial report is designed to provide the wide variety of users of this document with a general overview of the Cooperative's finances and demonstrate the Cooperative's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to the Lakeland Library Cooperative's Director:

Lakeland Library Cooperative
4138 3 Mile Road NW
Grand Rapids, MI 49534-1134

Basic Financial Statements

Lakeland Library Cooperative
Statement of Net Position
September 30, 2020

ASSETS

Current Assets

Cash and Investments	\$	1,085,629
Prepays		65,317
Total Current Assets		1,150,946

Noncurrent Assets

Capital Assets not Being Depreciated		76,518
Capital Assets Being Depreciated, net		197,209
Total Assets		1,424,673

DEFERRED OUTFLOWS OF RESOURCES

Pension Related		49,786
Total Deferred Outflows of Resources		49,786

LIABILITIES

Current Liabilities

Accounts Payable		7,943
Due to Member Libraries		27,278
Payroll Liabilities		30,284
Compensated Absences, Current		6,021
Total Current Liabilities		71,526

Noncurrent Liabilities

Net Pension Liability		88,093
Compensated Absences, Long-term		38,464
Total Liabilities		198,083

DEFERRED INFLOWS OF RESOURCES

Pension Related		26,694
Total Deferred Inflows of Resources		26,694

NET POSITION

Investment in Capital Assets		273,727
<i>Unrestricted</i>		975,955
Total Net Position	\$	1,249,682

**Lakeland Library Cooperative
Statement of Activities
For the Year Ended September 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Administration	\$ 437,818	\$ 105,713	\$ --	\$ --	\$ (332,105)
Delivery Service	194,740	20,485	--	--	(174,255)
Cataloging	204,854	191,816	--	--	(13,038)
Information Technology	202,910	82,370	--	--	(120,540)
Integrated Library System	268,435	328,540	--	--	60,105
Other	256,224	256,224	--	--	--
Total	\$ 1,564,981	\$ 985,148	\$ --	\$ --	(579,833)

General Purpose Revenues:

Unrestricted State Aid	518,020
Unrestricted Interest Income	6,824
Total General Revenues	524,844
Change in Net Position	(54,989)
<i>Net Position at Beginning of Period</i>	1,304,671
Net Position at End of Period	\$ 1,249,682

The Notes to the Financial Statements are an integral part of these Financial Statements

**Lakeland Library Cooperative
Balance Sheet
Governmental Funds
September 30, 2020**

	<u>General</u>	<u>Special Revenue Library Services</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Investments	\$ 876,924	\$ 23,304	\$ 185,401	\$ 1,085,629
Prepays	65,317	--	--	65,317
<i>Total Assets</i>	<u>\$ 942,241</u>	<u>\$ 23,304</u>	<u>\$ 185,401</u>	<u>\$ 1,150,946</u>
LIABILITIES				
Accounts Payable	\$ 7,890	\$ 53	\$ --	\$ 7,943
Due to Member Libraries	4,027	23,251	--	27,278
Payroll Liabilities	30,284	--	--	30,284
<i>Total Liabilities</i>	<u>42,201</u>	<u>23,304</u>	<u>--</u>	<u>65,505</u>
FUND BALANCE				
Nonspendable	65,317	--	--	65,317
Committed for Delivery	85,221	--	--	85,221
Committed for Capital Projects	--	--	185,401	185,401
Unassigned	749,502	--	--	749,502
<i>Total Fund Balance</i>	<u>900,040</u>	<u>--</u>	<u>185,401</u>	<u>1,085,441</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 942,241</u>	<u>\$ 23,304</u>	<u>\$ 185,401</u>	<u>\$ 1,150,946</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Lakeland Library Cooperative
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2020

Total Fund Balance - Governmental Funds	\$ 1,085,441
General government capital assets of \$1,827,500 net of accumulated depreciation of \$1,553,773 are not financial resources and, accordingly, are not reported in the funds.	273,727
Compensated absences are not due in and payable in the current period and, therefore, are not reported in the funds.	(44,485)
The net pension liability and related deferred items are not paid from current financial resources and, therefore, are excluded from the fund financial statements but are included as a liability and deferred items in the government-wide financial statements.	(65,001)
Total Net Position - Governmental Activities	\$ <u>1,249,682</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Lakeland Library Cooperative
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended September 30, 2020

	<u>General</u>	<u>Special Revenue</u> Library Services	<u>Capital Projects</u>	<u>Total</u> Governmental Funds
Revenues				
Charges for Services	\$ 728,924	\$ --	\$ --	\$ 728,924
Unrestricted State Aid	518,020	--	--	518,020
Unrestricted Interest Income	6,824	--	--	6,824
Other Revenues	--	256,224	--	256,224
Total Revenues	<u>1,253,768</u>	<u>256,224</u>	<u>--</u>	<u>1,509,992</u>
Expenditures				
Administration	373,757	--	--	373,757
Delivery Service	194,740	--	--	194,740
Cataloging	204,854	--	--	204,854
Information Technology	128,216	--	71,931	200,147
Integrated Library System	268,435	--	--	268,435
Capital Outlay	--	--	43,668	43,668
Other Expenditures	--	256,224	--	256,224
Total Expenditures	<u>1,170,002</u>	<u>256,224</u>	<u>115,599</u>	<u>1,541,825</u>
Excess of Revenues Over (Under) Expenditures	<u>83,766</u>	<u>--</u>	<u>(115,599)</u>	<u>(31,833)</u>
Other Financing Sources (Uses)				
Transfers In	--	--	301,000	301,000
Transfers Out	(301,000)	--	--	(301,000)
Net Other Financing Sources (Uses)	<u>(301,000)</u>	<u>--</u>	<u>301,000</u>	<u>--</u>
Net Change in Fund Balance	<u>(217,234)</u>	<u>--</u>	<u>185,401</u>	<u>(31,833)</u>
<i>Fund Balance at Beginning of Period</i>	1,117,274	--	--	1,117,274
Fund Balance at End of Period	<u>\$ 900,040</u>	<u>\$ --</u>	<u>\$ 185,401</u>	<u>\$ 1,085,441</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Lakeland Library Cooperative
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended September 30, 2020

Total Net Change in Fund Balances - Governmental Funds	\$	(31,833)
<p>The fund financial statements report capital outlay as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$43,668 exceeds depreciation expense of \$26,439 and net disposals of \$8,118.</p>		
		9,111
<p>Change to compensated absences are not shown in the fund financial statements. The net effect of the current year increase is a decrease in net position.</p>		
		(7,823)
<p>The statement of activities reports changes to net pension liability and pension related deferred items as pension expense; however, the expenditures recorded on the governmental funds equals actual pension contributions.</p>		
		(24,444)
Changes in Net Position - Governmental Activities	\$	<u>(54,989)</u>

Notes to the Financial Statements

Lakeland Library Cooperative

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Lakeland Library Cooperative (the “Cooperative”) have been prepared in conformity with the U.S. generally accepted accounting principles (GAAP) as applied to government 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 principles are described below.

Lakeland Library Cooperative was formed by the authority of Public Libraries Act 89 of 1977. The Cooperative provides interlibrary loan, delivery, shared ILS and other services to member libraries in Allegan, Barry, Ionia, Kent, Montcalm, Muskegon, Newaygo, and Ottawa counties.

Reporting Entity

The Cooperative Board, a nine-member group appointed in accordance with a formula stated in Article V, Section I of the Cooperative bylaws, has governance responsibilities over all activities related to the Lakeland Library Cooperative. The Board receives funding primarily from local and state sources and must comply with concomitant requirements of these funding entities. However, the Board is not included in any other governmental “reporting entity” as defined by the Government Accounting Standards Board since the Board members, who are appointed (as legislated by Public Libraries Act 89 of 1977) from Cooperative members, have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. In accordance with generally accepted accounting principles, there are no component units to be included in these financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (e.g., the statement of position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Cooperative only has governmental activities.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: 1) charges to Cooperative patrons who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues and are reported instead as general revenue.

The statement of net position includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Cooperative’s net position is reported in three parts: 1) investment in capital assets 2) restricted net position, and 3) unrestricted net position.

Lakeland Library Cooperative

Notes to the Financial Statements

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible 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, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Intergovernmental revenue, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Cooperative.

The Cooperative reports the following major governmental funds:

The *General Fund* is the Cooperative's primary operating fund. It accounts for all financial resources of the Cooperative, except those required to be accounted for in another fund.

The *Library Services Fund* accounts for specific revenues and expenses agreed upon by member libraries for the benefit of those libraries.

The *Capital Projects Fund* accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Assets, Deferred Outflows/Inflows, Liabilities, and Net Position or Equity

Deposits and Investments

Cash and equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of 90 days or less when acquired. Investments are stated at fair value based on quoted market price and include certificates of deposit with an original maturity of greater than 90 days from the date of purchase. Certificate of deposits are stated at cost which approximates fair value.

Lakeland Library Cooperative

Notes to the Financial Statements

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures / expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Cooperative as assets with an estimated useful life in excess of two years and an initial individual cost of more than \$5,000. Donated capital assets are valued at acquisition cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and Improvements	15-30
Equipment, Furniture, and Vehicles	5-20
Infrastructure	15-30

Deferred Outflows / Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The Cooperative has several items that qualify for reporting in these categories and are reported in the government-wide financial statement of net position. These items relate to the Cooperative's net pension liability. The net pension liability amounts are related to differences between expected and actual experience, changes in assumptions, differences between projected and actual pension plan investment earnings, and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

Lakeland Library Cooperative

Notes to the Financial Statements

Pension

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

Compensated Absences

Under the terms of the Cooperative policies, full time employees are granted 12 days of sick leave per year. Unused sick leave benefits will be allowed to accumulate up to a maximum of one-hundred-thirty (130) days. Unused accumulated sick leave will be paid to employees who retire (age fifty-five (55) or older) with ten (10) years or more of continuous service, up to a maximum of ninety (90) days at the rate of one dollar (\$1.00) per day times the years of continuous service. Vacation time is paid at the hourly rate of the employee.

Deferred Compensation Plan

The Cooperative offers its employees a deferred compensation plan created in accordance with IRS section 457. The Plan, available to all Cooperative employees, permits them to defer a portion of their current salary until future years. A trust has been established for the plan assets and the related assets and liability are not included in the Cooperative's financial statements.

Net Position Flow Assumption

Sometimes the Cooperative will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Cooperative's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumption

Sometimes the Cooperative will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Cooperative's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same

Lakeland Library Cooperative

Notes to the Financial Statements

purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Cooperative Board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the *assigned fund balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Cooperative Director can assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance is the residual classification for the Cooperative's General Fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Cooperative Board.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through February 16, 2021. The Cooperative will be affected by the recent and ongoing outbreak of the Coronavirus (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. COVID-19 has caused significant

Lakeland Library Cooperative

Notes to the Financial Statements

government and business disruptions through mandated and voluntary closings and stay at home orders.

Management is in the process of determining the significance that the outbreak will have on the Cooperative's upcoming budget. Changes in both revenues and expenditures/expenses because of COVID-19 remain highly uncertain.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund. All annual appropriations lapse at fiscal year-end. P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The budget document is adopted on an activity basis. Subsequent budget amendments are approved by the Cooperative Board. During the year, the budget was amended in a legally permissible manner.

Excess of Expenditures over Appropriations in Budgeted Funds

The Cooperative had the following expenditures in excess of the amounts appropriated during the year ended September 30, 2020.

<u>Function</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance</u>
Cataloging	\$ 201,550	\$ 204,854	\$ (3,304)
Information Technology	124,701	128,216	(3,515)

Note 3 - Deposits and Investments

Deposits and investments consisted of the following at September 30, 2020:

Statement of Net Position

Cash and Investments	<u>\$ 1,085,629</u>
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Deposits and Investments

Demand Deposits (Checking and Savings Accounts)	482,692
Investments - Michigan CLASS	602,937
Total Deposits and Investments	<u>\$ 1,085,629</u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Cooperative's deposits might not be returned. State law does not require, and the

Lakeland Library Cooperative

Notes to the Financial Statements

Cooperative does not have a policy for deposit custodial credit risk. As of year-end, \$1,218 of the Cooperative's bank balance of \$483,950 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Cooperative will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require, and the Cooperative does not have a policy for investment custodial credit risk. The Cooperative's Michigan CLASS investments of \$602,937 are rated AAAM by the S&P.

Interest Rate Risk - Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Cooperative's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. None of the Cooperative's investments have a maturity date.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk. The Cooperative's investment policy does not have specific limits in excess of State law on concentration of credit risk. All investments held at year-end are reported above.

Fair Value Measurement. The Cooperative categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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. The Cooperative's Michigan CLASS investments are valued using other observable inputs (level 2 inputs) and have a balance of \$602,937 as of September 30, 2020.

Lakeland Library Cooperative

Notes to the Financial Statements

Note 4 - Capital Assets

Capital asset activity of the Cooperative's activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 76,518	\$ -	\$ -	\$ 76,518
Capital Assets being Depreciated				
Office Furniture	160,691	-	-	160,691
Building	229,553	-	-	229,553
Building Improvements	156,912	32,616	-	189,528
Training Center Furniture and Equipment	41,337	-	-	41,337
Information System	1,053,193	11,052	(8,118)	1,056,127
Vehicles	73,746	-	-	73,746
Total Capital Assets being Depreciated	<u>1,715,432</u>	<u>43,668</u>	<u>(8,118)</u>	<u>1,750,982</u>
Less Accumulated Depreciation				
Office Furniture	154,366	1,548	-	155,914
Building	137,732	7,651	-	145,383
Building Improvements	129,252	7,011	-	136,263
Training Center Furniture and Equipment	41,245	92	-	41,337
Information System	1,045,075	2,763	-	1,047,838
Vehicles	19,664	7,374	-	27,038
Total Accumulated Depreciation	<u>1,527,334</u>	<u>26,439</u>	<u>-</u>	<u>1,553,773</u>
Capital Assets being Depreciated, Net	<u>188,098</u>	<u>17,229</u>	<u>(8,118)</u>	<u>197,209</u>
Capital Assets, Net	<u>\$ 264,616</u>	<u>\$ 17,229</u>	<u>\$ (8,118)</u>	<u>\$ 273,727</u>

Depreciation expense was charged to the following functions of the Cooperative:

Administration	\$ 23,676
Information Technology	2,763
Total Depreciation Expense	<u>\$ 26,439</u>

Note 5 - Long-term Liabilities

Long-term liabilities of the Cooperative consist of the following:

	<u>Beginning Balance</u>	<u>Increases / (Decreases)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 36,662	\$ 7,823	\$ 44,485	\$ 6,021

Lakeland Library Cooperative

Notes to the Financial Statements

Note 6 - Risk Management

The Cooperative is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Cooperative has purchased commercial insurance for claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years. There were no significant reductions in insurance coverage during the past year.

Note 7 - Pension Plans

Defined Contribution Pension Plan

The Cooperative provides a defined contribution pension plan, which provides retirement benefits to the Cooperative Director. At September 30, 2020, there was one member in the plan. Plan members are not required to contribute. The Cooperative was required to contribute 7% of annual covered payroll through March 31, 2020 and 8% thereafter. Employer contributions for the year totaled \$7,923. The plan provisions and contribution requirements were established and may be amended by the Cooperative.

Defined Benefit Pension Plan

Plan Description

The employer's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Retirement benefits for employees are calculated as follows:

<u>Division</u>	<u>Benefit Multiplier</u>	<u>Benefit Maximum</u>	<u>Final Average Compensation (Years)</u>	<u>Normal Retirement Age</u>	<u>Unreduced Benefit (Age/Years of Service)</u>	<u>Reduced Benefit (Age/Years of Service)</u>	<u>Vesting (Years)</u>
Nonunion - Closed	2.25%	80%	5	60	N/A	50/25 or 55/15	6
Nonunion Hired After 11/01/2010 - Open	1.50%	No Max	5	60	N/A	50/25 or 55/15	8

Lakeland Library Cooperative

Notes to the Financial Statements

Employees Covered by Benefit Terms

At the December 31, 2019 valuation date, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	4
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	5
Active Plan Members	<u>9</u>
Total Employees Covered by MERS	<u>18</u>

Contributions

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

For the year ended September 30, 2020, the Cooperative had the following contribution rates:

<u>Division</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>
Nonunion - Closed	4.00%	\$1,766/mo.
Nonunion Hired After 11/01/2010 - Open	5.00%	4.03%

Net Pension Liability

The net pension liability reported at September 30, 2020 was determined using a measure of the total pension liability and the pension net position as of December 31, 2019. The December 31, 2019 total pension liability was determined by an actuarial valuation performed as of December 31, 2019.

Actuarial Assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	3.00%
Investment Rate of Return	7.35%, Net of Investment Expense, Including Inflation

Lakeland Library Cooperative

Notes to the Financial Statements

Although no specific price inflation assumptions are needed for the valuation, the 3.0% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%. Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend. The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009-2013.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Gross Return	Long-term Expected Gross Contribution	Inflation Assumption	Long-term Expected Real Rate of Return
Global Equity	60.00%	7.75%	4.65%	2.50%	3.15%
Global Fixed Income	20.00%	3.75%	0.75%	2.50%	0.25%
Private Investments	20.00%	9.75%	1.95%	2.50%	1.45%
	<u>100.00%</u>		<u>7.35%</u>		<u>4.85%</u>

Discount Rate

The discount rate used to measure the total pension liability is 7.60%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Lakeland Library Cooperative

Notes to the Financial Statements

Changes in the net pension liability during the measurement year were as follows:

<u>Changes in Net Pension Liability</u>	Increase (Decrease)		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2018	\$ 1,298,808	\$ 1,165,079	\$ 133,729
Service Cost	39,728	-	39,728
Interest	103,409	-	103,409
Difference Between Expected and Actual Experience	(27,326)	-	(27,326)
Changes in Assumptions	38,166	-	38,166
Contributions - Employer	-	25,977	(25,977)
Contributions - Employee	-	17,500	(17,500)
Net Investment Income	-	158,875	(158,875)
Benefit Payments, Including Refunds	(52,113)	(52,113)	-
Administrative Expenses	-	(2,739)	2,739
<i>Net Changes</i>	<u>101,864</u>	<u>147,500</u>	<u>(45,636)</u>
Balance at December 31, 2019	<u>\$ 1,400,672</u>	<u>\$ 1,312,579</u>	<u>\$ 88,093</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Cooperative, calculated using the discount rate of 7.60%, as well as what the Cooperative's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current rate:

	1% Decrease	Current	1% Increase
	(6.60%)	Discount Rate	(8.60%)
	<u> </u>	<u> </u>	<u> </u>
Net Pension Liability of the Library	\$ 239,988	\$ 88,093	\$ (40,843)

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

Lakeland Library Cooperative

Notes to the Financial Statements

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

For the year ended September 30, 2020 the Cooperative recognized pension expense of \$46,046.

The Cooperative reported deferred outflows and inflows of resources related to pensions from the following sources:

<u>Source</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 8,062	\$ -
Differences Between Expected and Actual Experience	-	26,694
Changes in Assumptions	25,444	-
Employer Contributions to the Plan Subsequent to the Measurement Date*	16,280	-
Total	\$ 49,786	\$ 26,694

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending September 30, 2021.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense (reduction in pension expense) as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2020	\$ (5,388)
2021	9,446
2022	15,980
2023	(13,226)

Note 8 - Fund Balance Commitments

The Cooperative Board has committed fund balance for various purposes. As of September 30, 2020, the Cooperative's fund balance is committed for Delivery in the amount of \$85,221.

Note 9 - Interfund Transfers

The Cooperative had a transfer of \$301,000 from the General Fund out into the Capital Projects Fund. This transfer was used to provide future resources for capital outlay expenditures.

Required Supplementary Information

Lakeland Library Cooperative
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended September 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Charges for Services	\$ 737,016	\$ 737,016	\$ 728,924	\$ (8,092)
Unrestricted State Aid	513,625	513,625	518,020	4,395
Unrestricted Interest Income	6,000	6,000	6,824	824
Total Revenues	<u>1,256,641</u>	<u>1,256,641</u>	<u>1,253,768</u>	<u>(2,873)</u>
Expenditures				
Administration	423,420	423,420	373,757	49,663
Delivery Service	220,781	220,781	194,740	26,041
Cataloging	201,550	201,550	204,854	(3,304)
Information Technology	124,701	124,701	128,216	(3,515)
Integrated Library System	286,189	286,189	268,435	17,754
Total Expenditures	<u>1,256,641</u>	<u>1,256,641</u>	<u>1,170,002</u>	<u>86,639</u>
Other Financing Uses				
Transfers Out	301,000	301,000	301,000	--
Total Expenditures and Other Financing Uses	<u>1,557,641</u>	<u>1,557,641</u>	<u>1,471,002</u>	<u>86,639</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Uses				
Net Change in Fund Balance	<u>(301,000)</u>	<u>(301,000)</u>	<u>(217,234)</u>	<u>83,766</u>
<i>Fund Balance at Beginning of Period</i>	1,117,274	1,117,274	1,117,274	--
Fund Balance at End of Period	<u>\$ 816,274</u>	<u>\$ 816,274</u>	<u>\$ 900,040</u>	<u>\$ 83,766</u>

Lakeland Library Cooperative
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Library Services
For the Year Ended September 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Other Revenues	\$ 243,450	\$ 258,450	\$ 256,224	\$ (2,226)
Total Revenues	<u>243,450</u>	<u>258,450</u>	<u>256,224</u>	<u>(2,226)</u>
Expenditures				
Other Expenditures	255,090	258,450	256,224	2,226
Total Expenditures	<u>255,090</u>	<u>258,450</u>	<u>256,224</u>	<u>2,226</u>
Excess (Deficiency) of Revenues				
Over Expenditures	(11,640)	--	--	--
Net Change in Fund Balance	<u>(11,640)</u>	<u>--</u>	<u>--</u>	<u>--</u>
<i>Fund Balance at Beginning of Period</i>	--	--	--	--
Fund Balance at End of Period	<u>\$ (11,640)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

Lakeland Library Cooperative
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Six Calendar Years (Schedule is built prospectively upon implementation of GASB 68)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability						
Service Cost	\$ 39,728	\$ 35,748	\$ 32,361	\$ 31,013	\$ 29,978	\$ 29,346
Interest	103,409	98,699	93,298	88,840	82,267	77,872
Differences Between Expected and Actual Experience	(27,326)	(25,430)	(7,746)	(11,158)	6,058	-
Changes in Assumptions	38,166	-	-	-	48,172	-
Benefit Payments, Including Refunds	(52,113)	(52,113)	(52,113)	(55,199)	(52,113)	(56,404)
Net Change in Pension Liability	<u>101,864</u>	<u>56,904</u>	<u>65,800</u>	<u>53,496</u>	<u>114,362</u>	<u>50,814</u>
<i>Total Pension Liability - Beginning</i>	1,298,808	1,241,904	1,176,104	1,122,608	1,008,246	957,432
Total Pension Liability - Ending (a)	<u>\$ 1,400,672</u>	<u>\$ 1,298,808</u>	<u>\$ 1,241,904</u>	<u>\$ 1,176,104</u>	<u>\$ 1,122,608</u>	<u>\$ 1,008,246</u>
Plan Fiduciary Net Position						
Contributions - Employer	\$ 25,977	\$ 26,288	\$ 131,078	\$ 21,980	\$ 20,463	\$ 21,054
Contributions - Member	17,500	15,709	14,770	13,852	13,710	13,409
Net Investment Income (Loss)	158,875	(48,442)	134,412	104,267	(14,255)	57,743
Benefit Payments, Including Refunds	(52,113)	(52,113)	(52,113)	(55,199)	(52,113)	(56,404)
Administrative Expenses	(2,739)	(2,387)	(2,116)	(2,059)	(2,082)	(2,120)
Net Change in Plan Fiduciary Net Position	<u>147,500</u>	<u>(60,945)</u>	<u>226,031</u>	<u>82,841</u>	<u>(34,277)</u>	<u>33,682</u>
<i>Plan Fiduciary Net Position - Beginning</i>	1,165,079	1,226,024	999,993	917,152	951,429	917,747
Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,312,579</u>	<u>\$ 1,165,079</u>	<u>\$ 1,226,024</u>	<u>\$ 999,993</u>	<u>\$ 917,152</u>	<u>\$ 951,429</u>
Net Pension Liability - Ending (a) - (b)	\$ 88,093	\$ 133,729	\$ 15,880	\$ 176,111	\$ 205,456	\$ 56,817
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	93.7%	89.7%	98.7%	85.0%	81.7%	94.4%
Covered Payroll	\$ 432,447	\$ 383,137	\$ 342,055	\$ 324,929	\$ 318,993	\$ 312,198
Net Pension Liability as a Percentage of Covered Payroll	20.4%	34.9%	4.6%	54.2%	64.4%	18.2%

* Built prospectively upon implementation on GASB 68

**Lakeland Library Cooperative
Required Supplementary Information
Schedule of Contributions
Last 10 Fiscal Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially Determined Contribution	\$ 21,603	\$ 27,611	\$ 30,101	\$ 21,980	\$ 20,463	\$ 21,054	\$ 20,331	\$ 22,556	\$ 25,431	\$ 17,797
Contributions in Relation to the Actuarially Determined Contribution	21,603	27,611	141,316	21,980	20,463	21,054	20,331	22,556	25,431	17,797
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (111,215)</u>	<u>\$ -</u>						
Covered Payroll	\$ 464,844	\$ 381,762	\$ 353,234	\$ 324,929	\$ 318,993	\$ 312,198	\$ 318,202	\$ 291,544	\$ 272,953	\$ 262,222
Contributions as a Percentage of Covered Payroll	4.6%	7.2%	40.0%	6.8%	6.4%	6.7%	6.4%	7.7%	9.3%	6.8%

Notes

Valuation Date

Actuarially determined contribution amounts are calculated as of December 31 each year, which is 21 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates

Actuarial Cost Method	Entry-age
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	19 Years
Asset Valuation Method	5-year Smoothed
Inflation	2.50%
Salary Increases	3.00%
Investment Rate of Return	7.35%
Retirement Age	Experience-based Tables of Rates that are Specific to the Type of Eligibility Condition
Mortality	50% Male - 50% Female blend of the RP-2014 Group Annuity Mortality Table

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

To the Board of Directors
Lakeland Library Cooperative
Grand Rapids, MI

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 and each major fund of the Lakeland Library Cooperative (the "Cooperative"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements, and have issued our report thereon dated February 16, 2021.

Internal Control Over Financial Reporting

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

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our

tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in black ink and is positioned above the typed name of the firm.

Gabridge & Company, PLC
Grand Rapids, MI
February 16, 2021

February 16, 2021

To the Board of Directors
Lakeland Library Cooperative
Grand Rapids, Michigan

We have audited the financial statements of the governmental activities and each major fund of the Lakeland Library Cooperative (the “Cooperative”) for the year ended September 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government 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 July 9, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Cooperative are described in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit 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 Lakeland Library Cooperative’s financial statements were:

- Management’s estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management’s estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- The assumptions used in the actuarial valuation of the pension plan are based on historical trends and industry standards.

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, professional standards define a disagreement with management as 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 16, 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 respect to the supplementary information accompanying the financial statements, 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.

Restrictions of Use

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

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, MI