

WOODLANDS LIBRARY COOPERATIVE
Albion, Michigan

ANNUAL FINANCIAL REPORT
2023 and 2022

WOODLANDS LIBRARY COOPERATIVE

ANNUAL FINANCIAL REPORT

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CALKINS HEHL RAFKO

— CERTIFIED PUBLIC ACCOUNTANTS —

Independent Auditor's Report

Board of Directors
Woodlands Library Cooperative
Albion, Michigan 49224

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Woodlands Library Cooperative (the Cooperative), as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Woodlands Library Cooperative as of September 30, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Woodlands Library Cooperative and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Woodlands Library Cooperative's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may rise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of the internal controls relevant to the audit 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 Woodlands Library Cooperative's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Woodlands Library Cooperative's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 8 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Woodlands Library Cooperative's basic financial statements. The Schedules of General and Administrative Expenses 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of General and Administrative Expenses are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2023, on our consideration of the Woodlands Library Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Woodlands Library 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 Woodlands Library Cooperative's internal control over financial reporting and compliance.

Calkins Hehl Rayko

November 8, 2023



CALKINS HEHL RAFKO
— CERTIFIED PUBLIC ACCOUNTANTS —

**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***

Board of Directors
Woodlands Library Cooperative
Albion, Michigan 49224

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 business-type activities of the Woodlands Library Cooperative (the Cooperative), as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Woodlands Library Cooperative's basic financial statements, and have issued our report thereon dated November 8, 2023.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Woodlands Library Cooperative's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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*.

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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.

Calkins Hohl Ryko

November 8, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

WOODLANDS LIBRARY COOPERATIVE

Management's Discussion and Analysis *Year Ended September 30, 2023*

Using this Annual Report

This annual report consists of the *Independent Auditor's Reports*, the *Management's Discussion and Analysis* (this section), the *basic financial statements*, and *other supplemental information*. The basic financial statements also include notes, which provide more detailed information for the financial statements. The statements are followed by a section of *other supplemental information*, which further explains and supports the information in the financial statements.

Required Financial Statements

The Cooperative's financial statements report information using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about their activities. The Statement of Net Position includes all of the Cooperative's assets and liabilities. This statement provides information about the nature of the assets and the obligations of the Cooperative. In addition, this statement provides the basis for evaluating the capital structure of the Cooperative and assessing the liquidity and financial flexibility of the Cooperative.

All of the revenues and expenses for the current year are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures how well the Cooperative covered the costs for services during the past year. The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to the origins of income, the uses, and the changes in the cash balance during the reporting period.

Condensed Financial Information

Table I below compares key financial information of the Cooperative's Statement of Net Position.

Table I:

Condensed Statement of Net Position
September 30,
(in thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total Current Assets	\$986.9	\$1,093.4	\$1,109.4
Net Capital Assets	<u>2.2</u>	<u>1.5</u>	<u>2.4</u>
Total Assets	989.1	1,094.9	1,111.8
Total Current Liabilities	<u>16.6</u>	<u>15.4</u>	<u>15.4</u>
Net Investment in Capital Assets	2.2	1.5	2.4
Unrestricted Assets	<u>970.3</u>	<u>1,078.0</u>	<u>1,094.0</u>
Total Net Position	<u>\$972.5</u>	<u>\$1,079.5</u>	<u>\$1,096.4</u>

WOODLANDS LIBRARY COOPERATIVE

Management's Discussion and Analysis *Year Ended September 30, 2023*

Condensed Financial Information (Concluded)

The Cooperative's net position decreased by \$106,983 this year compared to a decrease of \$16,988 in the prior year. Operating revenues increased approximately \$20,000, mainly due to an increase in state aid. Operating expenses increased approximately \$117,000, with the largest increases in delivery expenses, IT grants, Hoopla, and training expenses.

The Legislature approved \$0.5070 per capita in 2022-2023 and \$0.4914 in 2021-2022. Direct and indirect state aid accounts for 86% of Cooperative's operating income.

Woodlands Downloadable Library (contractual with OverDrive) was formed in 2010 and now has 47 of the 50 member libraries in the group. The Cooperative's eResources committee has opted to continue contracting with OverDrive for the service. The Cooperative's Ancestry Library Edition group formed in 2015 (contract with ProQuest) decreased from 31 members to 29 member libraries subscribing to the service. In 2017, the Cooperative added Consumer Reports Online, a subscription database (contract with Ebsco) for the member libraries, and in 2018, Mango Languages was added (contract with Mango Languages). During the prior fiscal year, an online tutoring program was added (contract with Tutor.com). The Cooperative contracted with Midwest Tape for the addition of Hoopla in the current fiscal year.

Table II below compares key financial information of the Cooperative's Statement of Revenues, Expenses, and Changes in Net Position.

Table II:

	Changes in Net Position		
	Year Ended September 30,		
	(in thousands)		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenues	\$914.4	\$894.0	\$786.5
Operating Expenses	<u>1,037.3</u>	<u>889.4</u>	<u>873.1</u>
Operating Income	(122.9)	4.6	(86.6)
Net Non-operating Revenues	<u>15.9</u>	<u>(21.5)</u>	<u>(4.3)</u>
Changes in Net Position	(107.0)	(16.9)	(90.9)
Beginning Net Position	<u>1,079.5</u>	<u>1,096.4</u>	<u>1,187.3</u>
Ending Net Position	<u>\$972.5</u>	<u>\$1,079.5</u>	<u>\$1,096.4</u>

The Cooperative operates with one fund, an enterprise fund, on a full accrual basis of accounting similar to private sector companies. The Cooperative's primary source of revenue is from direct and indirect state aid. Direct state aid accounts for 46%, and indirect state aid paid by member libraries accounts for 45%. OverDrive, ancestry, associate memberships, continuing education, and interest account for the remaining 9%.

WOODLANDS LIBRARY COOPERATIVE

Management's Discussion and Analysis *Year Ended September 30, 2023*

Capital Assets and Debt Administration

The Cooperative added a Think Pad in the current fiscal year. The depreciation expense for the year was \$973. See Note 6 for additional information.

The Cooperative does not have any debt obligations.

Budgetary Highlights

The governing board amended the budget in 2022-23 to take into account the events that occurred throughout the year. Budgeted revenues were \$1,019,988 and \$799,836 for 2023 and 2022, respectively. Budgeted expenses were \$1,014,794 and \$999,836 for 2023 and 2022, respectively.

Economic Factors and Next Year's Budgetary Highlights

The 2023-2024 proposed budget for revenues is \$1,019,988. The proposed budget for expenses is \$1,019,988 which includes a contingency of \$73,169. This budget will use \$0 from the carryover net position. These funds will be used to provide grants, professional development, technical support, and continuing education opportunities for the Cooperative's libraries.

Member libraries with Renaissance Zones or a debt millage have seen some reimbursements for lost revenues due to the personal property tax repeal passed by the state's voters in August 2015. Some member libraries are continuing to receive significant Personal Property Tax (PPT) reimbursements, allowing libraries to implement facilities repairs or upgrades. It is unknown when, or if more reimbursements are coming.

Many of our member libraries rely heavily upon their penal fines for daily library operations. Penal fines revenues fluctuated significantly again in 2023, with rates of loss varying around the cooperative. Woodlands Library Cooperative's Penal Fines Task Force has joined with the Michigan Library Association to look into this and try to understand what is happening when it comes to penal fine distribution. Member libraries relying on penal fines are also being encouraged to seek out other revenue sources to replace this declining revenue.

Contacting the Cooperative's Financial Management

This financial report is designed to provide the Cooperative's citizens, taxpayers, customers, and creditors with a general overview of the Cooperative's finances. If you have any questions about this report or need additional financial information, contact the Woodlands Library Cooperative, P. O. Box 1048, Albion, MI 49224-2135.

BASIC FINANCIAL STATEMENTS

WOODLANDS LIBRARY COOPERATIVE*Statements of Net Position
September 30, 2023 and 2022*

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$184,867	\$319,149
Investments	539,862	561,359
Accounts receivable	54,931	16,067
Prepaid expenses	<u>207,196</u>	<u>196,835</u>
Total Current Assets	986,856	1,093,410
 Capital Assets:		
Office equipment	3,273	3,273
Furniture and fixtures	1,620	1,620
Other equipment	<u>12,061</u>	<u>10,371</u>
	16,954	15,264
Less: Allowance for depreciation	<u>14,747</u>	<u>13,774</u>
Net Capital Assets	<u>2,207</u>	<u>1,490</u>
Total Assets	<u>989,063</u>	<u>1,094,900</u>
 Liabilities		
Current Liabilities:		
Accrued vacation	<u>16,599</u>	<u>15,453</u>
 Net Position		
Net investment in capital assets	2,207	1,490
Unrestricted	<u>970,257</u>	<u>1,077,957</u>
Total Net Position	<u>\$972,464</u>	<u>\$1,079,447</u>

See accompanying notes to the basic financial statements.

WOODLANDS LIBRARY COOPERATIVE

Statements of Revenues, Expenses, and Changes in Net Position For the Years Ended September 30, 2023 and 2022

	2023	2022
Operating Revenues		
State aid to cooperative	\$420,814	\$407,845
State aid from members	415,021	402,743
OverDrive	47,527	52,830
Ancestry	22,753	26,122
Other	8,288	4,508
	<u>914,403</u>	<u>894,048</u>
Total Operating Revenues		
Operating Expenses		
Programs:		
Delivery	242,353	224,814
Automation	13,500	13,500
OverDrive	81,207	85,671
Ancestry	29,292	25,687
Consumer reports	56,040	54,407
Library grants	100,000	100,000
IT grants	64,476	30,893
Hoopla	47,995	0
Mango languages	52,670	51,135
Tutor.com	52,594	52,594
E-magazines	25,000	25,000
Training	36,704	21,226
	<u>801,831</u>	<u>684,927</u>
General and administrative	<u>235,507</u>	<u>204,595</u>
Total Operating Expenses	<u>1,037,338</u>	<u>889,522</u>
Net Operating Income (Loss)	(122,935)	4,526
Non-operating Revenues (Expenses)		
Interest	7,494	7,620
Unrealized gains (losses)	8,458	(29,134)
	<u>15,952</u>	<u>(21,514)</u>
Total Non-operating Revenues (Expenses)		
	(106,983)	(16,988)
Change in Net Position		
Net Position - Beginning of Year	<u>1,079,447</u>	<u>1,096,435</u>
Net Position - End of Year	<u>\$972,464</u>	<u>\$1,079,447</u>

See accompanying notes to the basic financial statements.

WOODLANDS LIBRARY COOPERATIVE

Statements of Cash Flows *For the Years Ended September 30, 2023 and 2022*

	2023	2022
Cash Flows from Operating Activities:		
Receipts from state and members	\$875,539	\$882,695
Payments to suppliers	(912,956)	(786,074)
Payments to employees	(132,624)	(113,873)
Net Cash Provided (Used) by Operating Activities	(170,041)	(17,252)
Cash Flows from Investing Activities:		
(Purchase) Redemptions in investments	21,497	16,336
(Purchase) of capital asset	(1,690)	0
Interest	7,494	7,620
Unrealized gains (losses)	8,458	(29,134)
Net Cash Provided (Used) by Investing Activities	35,759	(5,178)
Net Increase (Decrease) in Cash and Cash Equivalents	(134,282)	(22,430)
Cash and Cash Equivalents - Beginning of Year	319,149	341,579
Cash and Cash Equivalents - End of Year	<u>\$184,867</u>	<u>\$319,149</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	(\$122,935)	\$4,526
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	973	878
Changes in assets and liabilities:		
(Increase) Decrease in assets:		
Accounts receivable	(38,864)	(11,353)
Prepaid expenses	(10,361)	(11,388)
Increase (Decrease) in liabilities:		
Accrued vacation	1,146	85
Total Adjustments	(48,079)	(22,656)
Total cash provided by operating activities	<u>(\$170,041)</u>	<u>(\$17,252)</u>

There were no noncash investing and financing transactions for the years ending September 30, 2023 and 2022.

See accompanying notes to the basic financial statements.

WOODLANDS LIBRARY COOPERATIVE

Notes to Financial Statements *Years Ended September 30, 2023 and 2022*

Note 1

Purpose

The financial statements of the Woodlands Library Cooperative (the Cooperative) include all accounts controlled by or dependent on the Cooperative board. The purpose of Woodlands Library Cooperative is to: (1) extend and improve access to library services and materials for each child, youth, and adult of the Cooperative region appropriate to his or her informational and recreational needs; (2) improve and strengthen resources and services of member libraries; (3) encourage continued growth and development of library services to the citizens of the State of Michigan.

Note 2

Authority

The establishment of the Cooperative is based on Public Act 89 of 1977.

Note 3

Summary of Significant Accounting Policies

The accounting policies of the Cooperative are in accordance with accounting principles generally accepted in the United States of America applicable to governments. The financial activities of the Cooperative are recorded within one fund, categorized and described as an enterprise fund. This enterprise fund reports operations that provide services which are financed primarily by direct and indirect state aid.

Significant accounting policies followed by the Cooperative are described below to enhance the usefulness of the financial statements to the reader:

a) Basis of Accounting

The Cooperative's financial statements are prepared on the accrual basis of accounting; consequently, revenues are recognized when they are earned and expenses are recognized when they are incurred. Operating revenues are charges for all exchange transactions for services which include direct state aid and indirect state aid. Operating expenses are all the costs necessary to provide services and conduct programs. General and administrative costs are also operating expenses. Nonoperating revenues represent revenue sources that are primarily non-exchange in nature, such as interest.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

b) Capital Assets

Items capitalized are valued at cost and depreciated by the straight-line method over the estimated useful lives of the assets. The Cooperative maintains a capitalization threshold of \$1,000.

Depreciation expense was \$973 for 2022-2023 and \$878 for 2021-2022. The following estimated lives were used to determine the depreciation expense for the periods ending September 30, 2023 and 2022:

Office Equipment	5 years
Furniture	10 years
Other Equipment	3-5 years

c) Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Cooperative has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Deposits are carried at cost.

WOODLANDS LIBRARY COOPERATIVE

Notes to Financial Statements *Years Ended September 30, 2023 and 2022*

Note 3 Summary of Significant Accounting Policies (Concluded)

d) Investments

Investments are stated at fair market value.

e) Subsequent Events

The Cooperative's management evaluated subsequent events from September 30, 2023 through November 8, 2023, the date the financial statements were available to be issued.

Note 4 Deposits With Financial Institutions

Statutes authorize Woodlands Library Cooperative to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; banker's acceptances of U.S. bank repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions which are insured with the applicable federal agency.

Public Act 367 of 1982 (known as the Surplus Funds Investment Pool Act) enables municipalities to invest surplus operating funds in investment pools managed by qualified financial institutions. At September 30, 2023, the Cooperative had invested in such a fund with a local bank. The Cooperative is able to retrieve these funds without restrictions and, accordingly, this amount is considered to be available cash. The local bank invests these funds in a variety of instruments including bonds and direct obligations of the United States, certificates of deposit, commercial paper rated within the three highest classifications by not less than two standard rating services, United States government or federal agency obligation repurchase agreements and bankers' acceptances of the United States banks.

The Cooperative believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, and since State of Michigan legislation does not require that all deposits be collateralized, it is impractical to insure all bank deposits. As a result, the Cooperative evaluates each financial institution with which it deposits Cooperative funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Board of Directors has adopted an investment policy authorizing certain types of investments and authorized the depositories: PNC Bank, Homestead Savings Bank, and Ameriprise Financial.

Interest rate risk. The Cooperative's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The Cooperative will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the Cooperative's investment policy.

Concentration of credit risk. The Cooperative does not place any limits on the amount the Cooperative may deposit or invest in any one issuer.

WOODLANDS LIBRARY COOPERATIVE

Notes to Financial Statements Years Ended September 30, 2023 and 2022

Note 4

Deposits With Financial Institutions (Concluded)

Custodial credit risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Cooperative's deposits may not be returned or the Cooperative will not be able to recover the collateral securities in the possession of an outside party. The Cooperative has \$676,133 and \$681,358 for 2023 and 2022, respectively, invested in checking accounts, money markets, and certificates of deposit. The Cooperative's deposits are insured by the FDIC in the amount of \$669,075 and \$577,928 for 2023 and 2022, respectively, with uninsured deposits of \$7,058 and \$103,430 for 2023 and 2022, respectively. The Cooperative Board approves and designates a list of authorized depository institutions. The Cooperative's investment policy does not address deposit risk.

Foreign currency risk. The Cooperative is not authorized to invest in investments which have this type of risk.

Note 5

Investments

The Cooperative determines fair values by applying the following guidelines. If available, the Cooperative uses market prices in active markets for identical assets and classifies these assets as Level 1. When the market prices for similar financial instruments in an active market are not available, the Cooperative estimates fair value based on pricing models using matrix pricing and classifies these assets as Level 2. In situations where there is little or no market activity for same or similar financial instruments, the Cooperative estimates fair value using its own assumptions about future cash flows and appropriate risk-adjusted discount rates and classifies these assets as Level 3. The Cooperative did not have any Level 2 or Level 3 investments.

The Cooperative had the following fair value measurements as of September 30, 2023 and 2022 as follows:

	Fair Value Measurement Using				
	Balance at September 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Investment Maturities	Rating	Balance at September 30, 2022
Investments by Fair Value Level:					
Debt Securities:					
U.S. agency bonds	\$117,329	\$117,692	Less than 1 year	S&P AA+	\$104,661
Municipal bonds	0	0	Less than 1 year	S&P AA	128,870
Total Debt Securities	117,329	117,692			233,531
Certificate of deposit	260,241	257,057	Less than 1 year	Not rated	0
Certificate of deposit	185,006	165,113	2-5 years	Not rated	315,030
Total Investments by Fair Value Level	562,576	\$539,862			548,561
Total Investments Measured at Fair Value	\$562,576				\$548,561

WOODLANDS LIBRARY COOPERATIVE

Notes to Financial Statements Years Ended September 30, 2023 and 2022

Note 5

Investments (continued)

The Cooperative's financial assets are measured on a recurring basis and are reported on September 30, 2023 and 2022 as follows:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
U.S. agency bonds	\$117,329	\$117,692	\$105,123	\$104,661
Municipal bonds	0	0	130,131	128,870
Certificate of deposit	445,247	422,170	345,006	315,030
Total Investments	<u>\$562,576</u>	<u>\$539,862</u>	<u>\$580,260</u>	<u>\$548,561</u>

The following schedule summarizes the investment return and the classification in the Statement of Revenues, Expenses, and Changes in Net Position:

	2023	2022
Interest and dividends	\$7,494	\$7,620
Net realized and unrealized gains (losses)	<u>8,458</u>	<u>(29,134)</u>
Total investment return	<u>\$15,952</u>	<u>(\$21,514)</u>

Credit risk: Woodland's Library Cooperative will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the Cooperative's investment policy.

Concentration of credit risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. The Cooperative's investment policy requires investments will be diversified by specific maturity dates, individual financial institutions or a specific class of securities in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the Cooperative's deposits may not be returned or be able to recover the collateral securities in the possession of an outside party. The Cooperative's investment policy requires that investments shall be undertaken in a manner that seeks to ensure the preservation of the capital in the overall portfolio. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Short-term investments in money market funds and open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

WOODLANDS LIBRARY COOPERATIVE

Notes to Financial Statements Years Ended September 30, 2023 and 2022

Note 6

Capital Assets

Capital asset activity for the year ended September 30, 2023 was as follows:

	Balance at October 1, 2022	Additions	Retirements	Balance at September 30, 2023
Capital assets being depreciated:				
Office equipment	\$3,273	\$0	\$0	\$3,273
Furniture and fixtures	1,620	0	0	1,620
Other equipment	10,371	1,690	0	12,061
Totals at historical cost	15,264	1,690	0	16,954
Less accumulated depreciation:				
Office equipment	(2,872)	(267)	0	(3,140)
Furniture and fixtures	(1,620)	0	0	(1,620)
Other equipment	(9,281)	(706)	0	(9,987)
Total accumulated depreciation	(13,774)	(973)	0	(14,747)
Net capital assets	\$1,490	\$717	\$0	\$2,207

Note 7

State Aid to Cooperative

The State granted aid directly to library cooperatives based on a rate per capita of \$0.5070 for 2022-2023 and \$0.4914 for 2021-2022.

Note 8

State Aid from Members

The State granted aid to public libraries is used to purchase services which are provided by the cooperative. The rate per capita of \$0.5070 for 2022-2023 and \$0.4914 for 2021-2022 was based on the "qualified" populations in the service areas of the public libraries.

Note 9

Expenses

The Cooperative incurred the following expenses to member libraries during the fiscal years ended September 30, 2023 and 2022 for contracted services and projects:

Payee	2023	2022
Monroe County Library System	\$58,244	\$49,602
Lenawee District Library	12,395	18,530
Branch District Library	12,395	11,798
Midwest Collaborative for Library Services	148,151	135,147
Jackson District Library	29,748	28,316
	<u>\$260,933</u>	<u>\$243,393</u>

Note 10

Compensated Absences

The Cooperative accrues vacation pay for its employees as of the year end. The amount of unused vacation pay was \$16,599 and \$15,453 as of September 30, 2023 and 2022, respectively.

WOODLANDS LIBRARY COOPERATIVE

Notes to Financial Statements *Years Ended September 30, 2023 and 2022*

Note 11 Defined Contribution Pension Plan

The Cooperative provides a defined contribution pension plan for employees who are at least 21 years old and have completed one year of service. The plan was through Ameriprise and was effective from August 30, 2015 through December 31, 2020. Effective January 1, 2021, the plan was transferred to the Municipal Employees' Retirement System (MERS). The Cooperative contributes 10% of the employees' wages to the plan and they are 100% vested immediately. Employees are not required to contribute to the plan. The costs for the fiscal years ending September 30, 2023 and 2022, were \$12,026 and \$11,355, respectively. For the fiscal year ending September 30, 2023, the covered payroll was \$120,260 out of a total payroll of \$128,731. For the fiscal year ending September 30, 2022, the covered payroll was \$113,873 out of a total payroll of \$117,210.

Note 12 Deferred Compensation Plan

The Cooperative offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and administered by MERS. The Plan, available to all Cooperative employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the Plan, all property rights purchased with those amounts, and all income attributable to those amounts, property, or rights must be held in trust for the exclusive benefit of employees. While the contract is held by the Cooperative, the assets of the plan are held for the exclusive benefit of plan participants and their beneficiaries. The plan assets cannot be used to satisfy claims of general creditors. Therefore, the amount held in trust is not shown on the balance sheet.

Note 13 New Accounting Standard

In May 2020, the Governmental Accounting Standards Board issued GASB Statement Number 96, *Subscription-Based Information Technology Arrangements (SBITA)*. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITA's are based on the standards established in Statement No. 87, *Leases*, as amended. The Cooperative implemented this standard effective October 1, 2022; however, there was no material effect to the financial statements as a whole.

OTHER SUPPLEMENTAL INFORMATION

WOODLANDS LIBRARY COOPERATIVE

*Schedules of General and Administrative Expenses
September 30, 2023 and 2022*

	<u>2023</u>	<u>2022</u>
Salaries	\$132,624	\$113,873
Board members	1,264	1,986
Payroll taxes	10,558	9,001
Employee benefits	9,219	5,977
Pension	12,026	11,355
Workers' compensation	301	296
Postage	258	233
Office supplies	540	508
Office internet	600	600
Periodicals	256	398
Contracted services	5,080	5,080
Professional services	5,600	5,400
Memberships	31,497	30,726
Telephone	956	1,185
Travel	7,398	1,128
General insurance	503	1,201
Repair and maintenance	9,223	8,069
Bank charges	764	681
Other	5,867	6,020
Depreciation	973	878
	<u>\$235,507</u>	<u>\$204,595</u>



CALKINS HEHL RAFKO

— CERTIFIED PUBLIC ACCOUNTANTS —

Board of Directors
Woodlands Library Cooperative
Albion, MI 49224

In planning and performing our audit of the financial statements of the Woodlands Library Cooperative as of and for the year ended September 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Cooperative's internal control over financial reporting (internal control) as a basis for designing our auditing 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 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

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

Very truly yours,

A handwritten signature in black ink that reads 'Calkins Hehl Rafko'.

November 8, 2023

One South Monroe Street Monroe, MI 48161

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CALKINS HEHL RAFKO
— CERTIFIED PUBLIC ACCOUNTANTS —

November 8, 2023

Board of Directors
Woodlands Library Cooperative
Albion, Michigan 49224

We have audited the financial statements of the business-type activities of the Woodlands Library Cooperative for the years ended September 30, 2023 and 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and if applicable, *Government Auditing Standards* and Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 2, 2023. 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 Woodlands Library Cooperative are described in Note 3 to the financial statements. During the year ended September 30, 2023, the Cooperative adopted GASB 96, *Subscription-Based Information Technology Arrangements*. 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 estimate affecting the financial statements was:

Management's estimate of the useful lives of depreciable capital assets based on the length of time those assets will provide economic benefit in the future.

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.

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Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 8, 2023.

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

We applied certain limited procedures to the other supplemental information accompanying 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 other supplementary information and do not express an opinion or provide any assurance on the other supplemental information.

This information is intended solely for the information and use of the Board of Directors, Library of Michigan and management of Woodlands Library Cooperative and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Calkins Hehe Rayko