Michigan Deptartment of Treasury
496 (2-04)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type	Local Government Name	County
☐ City ☐ Township ☐ Village ☑ Other	Superiorland Library Cooperative	Marquette

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
9/30/05	1/6/06	2/10/06

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

☐ Yes ☑ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

☐ Yes ☑ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).

☐ Yes ☑ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).

☐ Yes ☑ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.

☐ Yes ☑ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).

☐ Yes ☑ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.

☐ Yes ☑ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).

☐ Yes ☑ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

☐ Yes ☑ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)			
Anderson, Tackman & Company, PLC			
Street Address	City	State	ZIP
102 W. Washington, Suite 109	Marquette	MI	49855
Accountant Signature Rebecca Hills CPA		Date 2/10/06	

SUPERIORLAND LIBRARY COOPERATIVE

FINANCIAL STATEMENTS AS OF
September 30, 2005

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ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA ROBERT J. DOWNS, CPA, CVA DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

INDEPENDENT AUDITOR'S REPORT

The Superiorland Library
Cooperative Board
Marquette, Michigan 49855

We have audited the accompanying financial statements of the governmental activities and each major fund of Superiorland Library Cooperative as of and for the year ended September 30, 2005, which collectively comprise the Superiorland Library Cooperative's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Superiorland Library Cooperative's management. Our responsibility is to express an opinion on these financial statements based upon 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 Superiorland Library Cooperative as of September 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued a report dated January 6, 2006, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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The Superiorland Library
Cooperative Board
Marquette, Michigan 49855

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Superiorland Library Cooperative's basic financial statements. The individual fund financial statements listed as Other Supplemental Financial Information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLC
Certified Public Accountants

January 6, 2006

Superiorland Library Cooperative
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Superiorland Library Cooperative's financial performance provides an overview of the Cooperative's financial activities for the year ended September 30, 2005. Please read it in conjunction with the financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- Net assets for the Cooperative as a whole were reported at $381,951. Nets assets are comprised of 100% governmental activities. In comparison to prior year, net assets have increased by $7,913.

- During the year, the Cooperative's total expenses were $599,675, while revenues from all sources totaled $607,588 resulting in an increase in net assets of $7,913.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 9 and 11) provide information about the activities of the Cooperative as a whole and present a longer-term view of the Cooperative finances.

Reporting the Cooperative as a Whole

One of the most important questions asked about the Cooperative's finances is "Is the Cooperative as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Cooperative as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Cooperative's *net assets* and changes in them. You can think of the Cooperative's net assets - the difference between assets and liabilities - as one way to measure the Cooperative's financial health, or *financial position.* Over time, *increases or decreases* in the Cooperative's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Cooperative's operating base and the condition of the Cooperative's capital assets, to assess the *overall financial health* of the Cooperative.

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

Reporting the Cooperative's Most Significant Funds

The Cooperative only reports one fund which is the General Fund. The fund financial statements are reported in combination with the government-wide financial statements beginning on page 9. The General Fund, a governmental fund, is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the Cooperative's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Cooperative's program.

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

Superiorland Library Cooperative as a Whole
Table I provides a summary of the Cooperative's net assets as of September 30, 2005.

Table 1
Net Assets

	2005	2004
Current and other assets	$315,617	$264,767
Capital assets, net	126,798	137,751
Total Assets	442,415	402,518
Current liabilities	34,486	5,212
Noncurrent liabilities	25,978	23,267
Total Liabilities	60,464	28,479
Net Assets:		
Invested in capital assets	126,798	137,751
Restricted	16,429	10,396
Unrestricted	238,724	225,892
Total Net Assets	$381,951	$374,039

Net assets of the Cooperative's governmental activities stood at $381,951. Restricted net assets of $16,429 relate to the Lilja Trust Fund restricted by the trust agreement. Unrestricted net assets—the part of net assets that could be used to finance day-to-day activities stood at $238,724.

The $238,724 in unrestricted net assets represents the accumulated results of all past years' operations. The results of this year's operations for the Cooperative as a whole are reported in the Statement of Activities (See Table 2), which shows the changes in net assets for fiscal year 2005 and 2004

Table 2
Changes in Net Assets

	2005	2004
Program revenues:		
Charges for services	$142,077	$151,033
Operating grants and contributions	194,371	249,297
General revenues:		
Sources not restricted to specific program	262,048	198,831
Interest earnings	7,416	3,159
Miscellaneous	1,316	6,993
Total Revenues	607,588	609,313
Program Expenses:		
Library services	561,328	587,078
Capital outlay	38,347	1,322
Total Expenses	599,675	588,400
Change in net assets	7,913	20,913
Net assets, beginning	374,039	353,126
Net Assets, Ending	$381,951	$374,039

The Cooperative's total revenues were $607,588. The total cost of all programs and services was $599,675, leaving an increase in net assets of $7,913 as a result of fiscal year 2005 operations. This increase is positive to the Cooperative because the Cooperative received unanticipated revenue.

SUPERIORLAND LIBRARY COOPERATIVE'S FUNDS

As the Cooperative completed the year, its General Fund (the only governmental fund) reported a fund balance of $281,131 with an increase of $21,576 from the beginning of the year. This increase was mainly the result of cumulated savings in professional and contractual expenses, specifically the expense for OCLC cataloging/interloan services, an independent contract, cleaning fees, mail service, and Internet fees.

General Fund Budgetary Highlights

The Cooperative's Board adopted the fiscal year 2005 general fund budget in September 2004 and the budget was amended during the year. The final projected revenues were $587,505 and projected expenditures were $587,168 resulting in an anticipated increase in fund balance of positive $337. The actual change in fund balance for the year was a positive $21,576 as a result of less expense in Professional and Contractual line item in the 2005 fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2005, the Cooperative had $126,798 invested in a variety of capital assets including land, buildings, and other equipment. (See table 3 below)

Table 3
Capital Assets at Year-End

	2005	2004
Land	$ 41,500	$ 41,500
Furniture & fixtures	103,497	96,496
Buildings & improvements	78,000	78,000
	222,997	215,996
Accumulated depreciation	(96,199)	(78,245)
Totals	$126,798	$137,751

Debt

The Cooperative has no outstanding debt at year-end.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the budget for the year ended September 30, 2006 the Board anticipates a balanced budget with some additional revenue due to the fact that revenue from a State of Michigan grant will off-set some operational expenses in Salaries.

CONTACTING THE COOPERATIVE FINANCIAL MANAGEMENT

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

SUPERIORLAND LIBRARY COOPERATIVE
Statement of Net Assets and
Governmental Funds Balance Sheet
September 30, 2005

	General Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash and cash equivalents	$ 303,011	$ -	$ 303,011
Accounts receivable	12,606	-	12,606
Land	-	41,500	41,500
Capital assets	-	181,497	181,497
Accumulated depreciation	-	(96,199)	(96,199)
TOTAL ASSETS	$ 315,617	126,798	442,415
LIABILITIES			
Accounts payable	$ 3,677	-	3,677
Due to members	7,879		7,879
Deferred revenue	22,930	-	22,930
Long-term liabilities:			
Accrued sick leave	-	25,978	25,978
TOTAL LIABILITIES	34,486	25,978	60,464
FUND BALANCE/NET ASSETS			
Fund Balance:			
Reserved - Lilja Memorial Library Fund	16,429	(16,429)	-
Designated - Sick leave	25,978	(25,978)	-
Unreserved and undesignated	238,724	(238,724)	-
TOTAL FUND BALANCE	281,131	(281,131)	-
TOTAL LIABILITIES AND FUND BALANCE	$ 315,617		
Net Assets:			
Invested in capital assets, net of related debt		126,798	126,798
Restricted		16,429	16,429
Unrestricted		238,724	238,724
TOTAL NET ASSETS		$ 381,951	$ 381,951

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

SUPERIORLAND LIBRARY COOPERATIVE
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2005

Total Fund Balances for Governmental Funds		$	281,131
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Cost of capital assets	222,997		
Accumulated depreciation	(96,199)		
			126,798
Long-term liabilities are not due and payable in the current period and are not reported in the funds. Long-term liabilities at year-end consist of accrued sick leave.			(25,978)
NET ASSETS OF GOVERNMENTAL ACTIVITIES		$	381,951

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

SUPERIORLAND LIBRARY COOPERATIVE
Statement of Activities and
Governmental Fund Revenues, Expenditures,
and Changes in Fund Balance
For the year ended September 30, 2005

	General Fund	Adjustments	Statement of Activities
Expenditures/Expenses:			
Library services	$ 540,664	$ 20,664	$ 561,328
Capital outlay	45,348	(7,001)	38,347
Total Expenditures/Expenses	586,012	13,663	599,675
Program Revenues:			
Charges for services	142,077	-	142,077
Operating grants and contributions	194,731	-	194,731
Total Program Revenues	336,808	-	336,808
Net Program Expense			262,867
General Revenues:			
State grants - unrestricted	262,048	-	262,048
Interest income	7,416	-	7,416
Miscellaneous	1,316	-	1,316
Total General Revenues	270,780	-	270,780
Excess of Revenues over Expenditures	21,576	(21,576)	-
Change in Net Assets		(7,913)	7,913
Fund Balance/Net Assets:			
Beginning of the year	259,555	72,658	374,038
End of the year	$ 281,131	$ 43,169	$ 381,951

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

SUPERIORLAND LIBRARY COOPERATIVE
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities
For the year ended September 30, 2005

Net Change in Fund Balances - Total Governmental Funds		$	21,576
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.			
Depreciation expense	17,954		
Capital outlays	(7,001)		(10,953)
Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			(2,710)
Change in Net Assets of Governmental Activities		$	7,913

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The operations of the Superiorland Library Cooperative (the Cooperative) are accounted for with a separate set of self-balancing accounts. The accounting policies of the Cooperative conform to generally accepted accounting principles as applicable to governments and the following is a summary of the more significant policies:

BASIS OF PRESENTATION

During the year the Cooperative adopted Governmental Accounting Standards Board (GASB) Statement No. 34, which substantially revised the financial statement presentation as described below.

Government-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the Cooperative as a whole. They include all governmental activities which are generally financed through State sources, charges for services, and other revenues. Equity is classified as net assets and displayed in three components – invested in capital assets, restricted, and unrestricted.

Fund Financial Statements:

The accounts of the Cooperative are organized on the basis of funds. The operations of the Cooperative's only fund, the General Fund, are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The General Fund is a governmental fund and it is used to account for all financial resources of the Cooperative.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, the governmental activities are presented using the economic resource measurement focus as defined in item (b) below. In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

a. The General Fund governmental fund utilizes a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on the balance sheet. The operating statement presents sources and uses of available spendable financial resources during a given period. This fund uses fund balance as its measure of available spendable resources at the end of the period.

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

Basis of Accounting

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

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

OTHER SIGNIFICANT ACCOUNTING POLICIES

Cash and Equivalents

The Cooperative's cash and cash equivalents as reported in the Statement of Net Assets are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less.

Capital Assets

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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

Buildings	50 years
Furniture and fixtures	3 – 20 years

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

Compensated Absences
The Cooperative' policies regarding compensated absences permits employees to accumulate earned but unused sick time. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Revenues
In the government-wide Statement of Activities, revenues are segregated by activity and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the Cooperative's policy to use the restricted resources first.

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

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

NOTE B - REVENUES:

The Superiorland Library Cooperative receives its revenues from Federal and State governments in the form of grants-in-aid. The Cooperative also received State support for local member libraries based on population and square miles of areas covered.

NOTE C - DEFINED BENEFIT PENSION PLAN:

Plan Description

The Superiorland Library Cooperative's defined benefit pension plan, the Michigan Municipal Employees Retirement System ("System"), provides retirement and disability benefits, annual cost-of-living adjustment, and death benefits to plan members and beneficiaries. The system, an agent multiple-employer public employee retirement system acts as a common investment and administrative agent for all Michigan municipal employees.

Funding Policy

System members are required to contribute 4.5% of their annual compensation. The Superiorland Library Cooperative is required to contribute at an actuarially determined rate; the current rate is 1.02% of annual covered payroll. The contribution requirements of plan members is set by the Superiorland Library Cooperative. The Superiorland Library Cooperative's contribution requirements are established and may be amended by the Michigan Municipal Employee Retirement System's Retirement Board.

Annual Pension Cost

For 2005, the Superiorland Library Cooperative's annual pension cost of $3,808 for the system was equal to the Superiorland Library Cooperative's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 8% investment rate of return (net of expenses) and (b) projected salary increases of 4.5% to 8.7% per year. The systems unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining amortization period at December 31, 2002 was 30 years.

Three-Year Trend Information for the System

The three-year trend information was not provided by the actuary.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for the System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actual Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/98	$314,245	$210,200	$(104,044)	149 %	%111,122	0%
12/31/99	367,328	237,745	(129,583)	154 %	116,263	0%
12/31/00	409,733	277,517	(132,216)	148 %	119,688	0%
12/31/01	449,812	428,473	(21,339)	105 %	99,240	0%
12/31/02	474,644	456,365	(18,279)	104 %	100,773	0%
12/31/03	522,293	482,591	(39,702)	108 %	101,472	0%
12/31/04	568,503	497,420	(71,083)	114 %	104,794	0%

NOTE D - ACCRUED SICK LEAVE:

The entity records on the government-wide Statement of Net Assets the accrued liability arising from accumulated vested sick leave which is payable to entity employees when they separate from employment. The employees are compensated for sick leave on a scale based on years of service with the Cooperation. The entity's sick leave policy provides for up to one-half of an employee's accumulated sick leave hours to be paid to the employee if they have worked with the entity for at least 8 years. For employees with less than 8 years of service, sick leave payable upon separation ranges from 10%-40% depending on the number of years employed with the Cooperative. The non-current portion of accumulated sick leave payable as of September 30, 2004 and 2003 is as follows:

	2005	2004
Sick Leave	$25,978	$23,267

NOTE E - DEPOSITS AND INVESTMENTS:

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

Checking accounts	$ 19,597
Savings accounts	109,838
Certificates of deposit	173,576
Total	$303,011

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Cooperative's deposits may not be returned. State law does not require and the Cooperative does not have a policy for deposit custodial credit risk. As of September 30, 2005, the Cooperative's checking and savings accounts and CDs were not exposed to credit risk because they were fully insured.

The Cooperative has no investments at September 30, 2005.

NOTE F – CAPITAL ASSETS:

Capital asset activity for the year ended September 30, 2005 is as follows:

Asset Cost:	Balance 9-30-04	Additions	Retirements	Balance 9-30-05
Land	$ 41,500	$ -	$ -	$ 41,500
Buildings and improvements	78,000	-	-	78,000
Furniture and fixtures	96,496	7,001	-	103,497
Total Asset Cost	215,996	7,001	-	222,997
Accumulated Depreciation:				
Buildings and improvements	(22,160)	(1,560)	-	(23,720)
Furniture and fixtures	(56,085)	(16,394)	-	(72,479)
Total Accumulated Depreciation	(78,245)	(17,954)	-	(96,199)
Net Capital Assets	$137,751	$ (10,953)	$ -	$126,798

NOTE F – CAPITAL ASSETS (Continued):

Depreciation expense charged to governmental activities was $17,954.

NOTE G - LONG-TERM DEBT:

Long-term debt of the Cooperative is as follows:

	Balance 9-30-04	Additions	Retirements	Balance 9-30-05
General Long-Term Debt:				
Sick Leave Payable	$23,267	$2,711	$ -	$25,978

NOTE H - DEFERRED COMPENSATION PLAN:

The Superiorland Library Cooperative offers its employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. The Plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency. The amounts deferred under the plan are held in a trust for the exclusive benefit of plan participants and their beneficiaries. The plan's participants have the right to designate how the funds will be invested. Therefore, the Cooperative has no liability for losses under the plans.

OTHER FINANCIAL INFORMATION

SUPERIORLAND LIBRARY COOPERATIVE
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For the year ended September 30, 2005

	Designated LSCA/LSTA	Designated - Library For Blind and Physically Handicapped	Designated - Lilja Memorial Library Fund	Designated - Sick Leave	Unreserved - General	Totals
REVENUES:						
Federal grants	$ 72,668	$ -	$ -	$ -	$ -	$ 72,668
State grants - local unit membership	-	-	-	-	106,018	106,018
State grants	-	42,083	-	-	219,965	262,048
Interest income	-	-	2,799	-	4,617	7,416
Contracted service revenue	-	-	-	-	142,077	142,077
Donations	-	10,045	6,000	-	-	16,045
Universal Service Fund	-	-	-	-	965	965
Miscellaneous revenue	-	-	-	-	351	351
TOTAL REVENUES	72,668	52,128	8,799	-	473,993	607,588
EXPENDITURES:						
Personnel services	-	53,313	-	-	211,816	265,129
Employees Welfare and Benefits:						
Social security	-	3,479	-	-	15,360	18,839
Hospitalization insurance	-	17,143	-	-	48,311	65,454
Life insurance	-	70	-	-	155	225
Unemployment compensation	-	141	-	-	357	498
Retirement	-	466	-	-	3,343	3,809
125K Flex benefits		152			339	491
Operating supplies	-	848	-	-	7,179	8,027
Utilities	-	1,354	-	-	3,013	4,367
Professional and contractual	42,359	1,683	-	-	81,132	125,174
Communication	-	325	-	-	3,055	3,380
Transportation	-	167	-	-	3,801	3,968
Printing and publishing	-	178	-	-		178
Insurance and bonds	-		-	-	3,541	3,541
Maintenance	-		-	-	5,710	5,710
Rental	-		-	-	28,257	28,257
Conferences/workshops	-		-	-	2,635	2,635

(Continued)

(Continued)

	Designated LSCA/LSTA	Designated - Library For Blind and Physically Handicapped	Designated - Lilja Memorial Library Fund	Designated - Sick Leave	Unreserved - General	Totals
EXPENDITURES (Continued):						
Membership fees	$ -	$ -	$ -	$ -	$ 982	$ 982
Capital Outlay:						
Audio equipment	-	-	-	-	3,825	3,825
Equipment and furniture	-	2,227	-	-	5,654	7,881
Computer software	30,309	-	-	-	567	30,876
Interest	-	-	2,766	-	-	2,766
TOTAL EXPENDITURES	72,668	81,546	2,766	-	429,032	586,012
EXCESS REVENUES OVER (UNDER) EXPENDITURES	-	(29,418)	6,033	-	44,961	21,576
OTHER FINANCING SOURCES (USES):						
Transfers in	-	29,418	-	2,711	-	32,129
Transfers out	-	-	-	-	(32,129)	(32,129)
TOTAL OTHER FINANCING SOURCES (USES)	-	29,418	-	2,711	(32,129)	-
CHANGE IN FUND BALANCES	-	-	6,033	2,711	12,832	21,576
Fund balances, beginning of year	-	-	10,396	23,267	225,892	259,555
FUND BALANCES, END OF YEAR	$ -	$ -	$ 16,429	$ 25,978	$ 238,724	$ 281,131

ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA ROBERT J. DOWNS, CPA, CVA DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

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

The Superiorland Library
Cooperative Board
Marquette, Michigan

We have audited the financial statements of the governmental activities and each major fund of Superiorland Library Cooperative as of and for the year ended September 30, 2005, and have issued our report thereon dated January 6, 2006. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Superiorland Library Cooperative's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Superiorland Library Cooperative's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that material misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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The Superiorland Library
Cooperative Board
Marquette, Michigan

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

Anderson, Tackman & Company, PLC
Certified Public Accountants

January 6, 2006