NORTHLAND LIBRARY COOPERATIVE

CHARLEVOIX COUNTY, MICHIGAN

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

YEAR ENDED SEPTEMBER 30, 2025

SCHULZE, OSWALD, MILLER & EDWARDS PC
CERTIFIED PUBLIC ACCOUNTANTS
989-354-8707

NORTHLAND LIBRARY COOPERATIVE
CHARLEVOIX COUNTY, MICHIGAN

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Schulze Oswald Miller & Edwards PC

120 N. Ripley Street • Alpena, MI 49707
P.O. Box 69 • Rose City, MI 48654

Alpena 989-354-8707 • Fax 989-354-8708
Rose City 989-685-2411 • Fax 989-685-2412

INDEPENDENT AUDITORS' REPORT

To the Board Members of
Northland Library Cooperative
Charlevoix, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the ***Northland Library Cooperative, Charlevoix County, Michigan*** (the "Cooperative"), as of and for the year ended September 30, 2025, 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 governmental activities and the major fund of the Northland Library Cooperative, Charlevoix County, Michigan as of September 30, 2025, and the respective changes in financial position for the year 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 the 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 Cooperative's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities 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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore it is not a guarantee that an audit conducted in accordance with generally accepted 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 a 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, we:

- Exercise professional judgment 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 internal control 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 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 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 and budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Schulze, Oswald, Miller & Edwards PC

Schulze, Oswald, Miller & Edwards PC
Charlevoix, Michigan
November 11, 2025

Management's Discussion and Analysis
Year Ended September 30, 2025

The following discussion and analysis of the financial performance for the Northland Library Cooperative (the "Cooperative") provides an overview of the Cooperative's financial activities for the fiscal year ended September 30, 2025. Please read it in conjunction with the Cooperative's financial statements.

USING THIS ANNUAL FINANCIAL REPORT

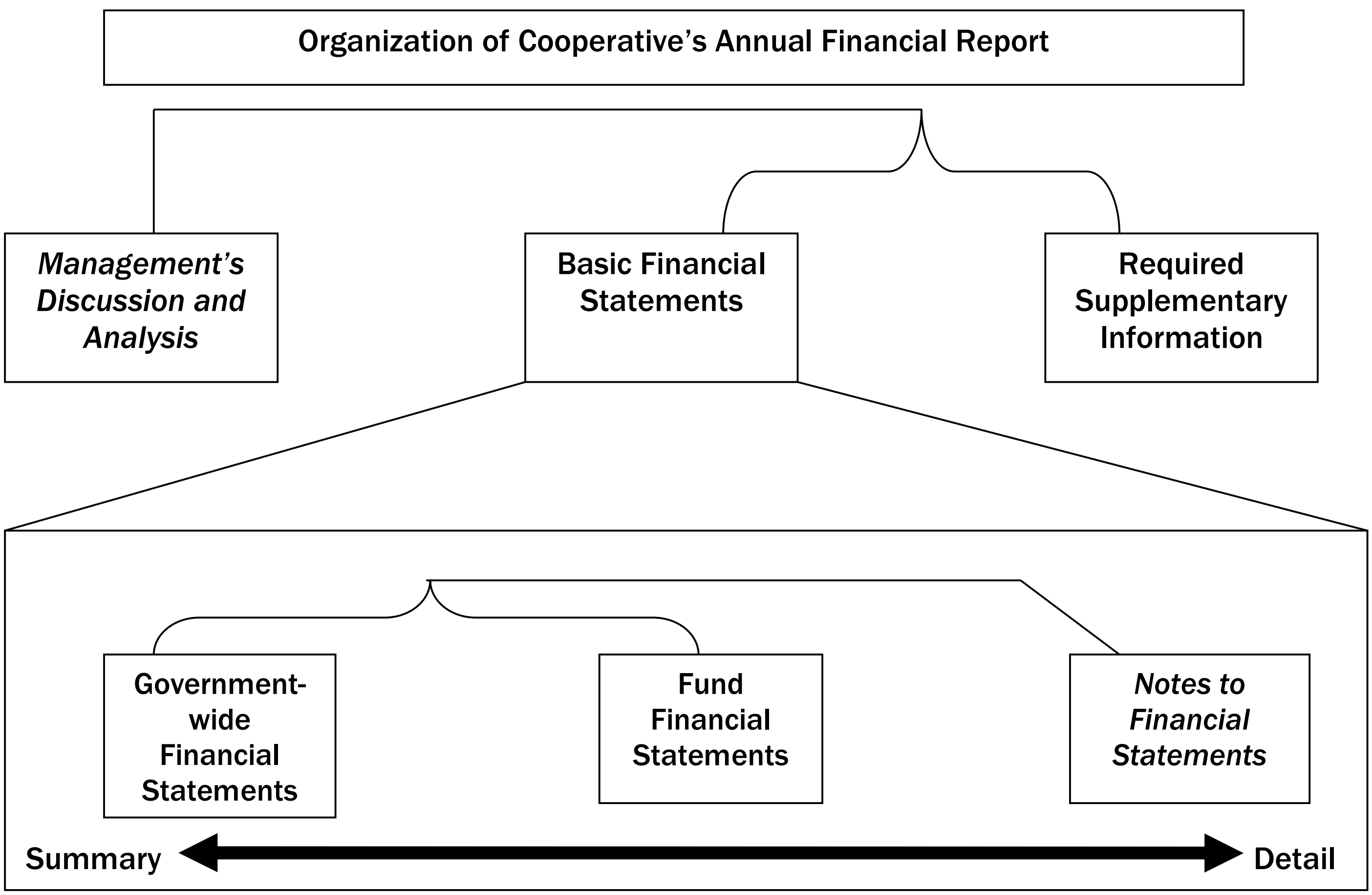
This annual report consists of three parts: (1) Management's Discussion and Analysis (MD&A), (2) the basic financial statements, which include two kinds of statements that present different views of the Cooperative, and (3) required supplementary information.

The first two statements are government-wide financial statements that provide both long and short-term information about the Cooperative's overall financial status.

The remaining statements are fund financial statements that focus on the individual parts of the Cooperative, reporting the Cooperative's operations in more detail. The governmental fund statements tell how basic services were financed. The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Cooperative's budget for the year.

The following chart illustrates how the various parts of this annual report are arranged and related to one another.



Government-wide financial statements. The *Government-wide financial statements* are designed to provide readers with a broad overview of the Cooperative's finances, in a manner similar to private-sector business.

The ***statement of net position*** presents information on all of the Cooperative's assets and liabilities, with the difference between the two reported as ***net position***. Over time, increases or decreases in net position may 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 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 only result in cash flows in future fiscal periods.

The Government-wide financial statements can be found on pages 8 & 9 of this report.

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. The Cooperative, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Activities of the Cooperative are presented in one fund, the General Fund.

Governmental funds. 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. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the Government-wide financial statements. By doing so, readers may better understand the long-term impact of the Cooperative's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The Cooperative maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. These statements can be found on pages 10 - 13 of this report.

The Cooperative adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund. This statement can be found on page 20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 - 19 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Cooperative's budgets. Comparison statements are provided to show budget to actual information and related variances. The required supplementary information statement is on page 20 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Cooperative, assets exceeded liabilities by $407,782 at the close of the most recent fiscal year. The balance of *unrestricted net position* $407,782 may be used to meet the Cooperative's ongoing obligations to citizens and creditors.

Governmental Activities. Governmental activities decreased the Cooperative's net position by $5,235. Key elements of this increase are as follows:

- Revenues increased by $28,471 while expenses increased by $46,467. The prior year change in net position was $12,761.

Summary of The Cooperative's Net Position

	Governmental Activities	
	09/30/2025	09/30/2024
Current Assets	$ 409,414	$ 414,840
Noncurrent Assets	-	-
Total Assets	409,414	414,840
Current Liabilities	1,632	1,822
Long-Term Liabilities	-	-
Total Liabilities	1,632	1,822
Net Position:		
Unrestricted	413,018	413,018
Restricted	-	-
Total Net Position	$ 407,782	$ 413,018

Summary of The Cooperative's Changes in Net Position

	Governmental Activities	
	09/30/2025	09/30/2024
Revenues:		
Program Revenues		
Charges for Services	$ -	$ -
Operating Grants & Contributions	-	-
General Revenues		
State Aid	400,691	375,172
Other:		
Interest & Other	92,431	89,479
Total Program Revenues	493,122	464,651
Expenses:		
Recreation & Culture	498,357	451,890
Total Expenses	498,357	451,890
Change in Net Position	$ (5,235)	$ 12,761

FINANCIAL ANALYSIS OF THE COOPERATIVE'S FUNDS

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

Governmental funds. The focus of the Cooperative's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Cooperative's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Cooperative's governmental fund reported an ending fund balance of $407,782. Of the total balance, $307,782 is *unassigned fund balance,* which is available for spending at the government's discretion.

The fund balance of the Cooperative's general fund decreased by $5,235 during the current fiscal year.

BUDGETARY HIGHLIGHTS

The Cooperative prepared an annual budget for the year. The budget was not modified during the year. There were no overall unfavorable variances between actual results and budgeted expectations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Cooperative had no capital assets as of September 30, 2025.

Long-term Debt

The Cooperative had no long-term debt as of September 30, 2025.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Cooperative's financial forecast is static heading into the 2025 Cooperative year.

- It is expected that state aid dollars from the state will continue to be an unpredictable source of funds in the future considering current economic conditions with the State of Michigan.

CONTACTING THE COOPERATIVE'S FINANCIAL MANAGEMENT

This financial report is designed to provide its readers with a general overview of the Cooperative's finances and to demonstrate the Cooperative's accountability for the money it receives. If you have questions about this report or need additional information, contact the Cooperative's office at:

Northland Library Cooperative, Executive Director, 900 Evergreen Court, Petoskey, Michigan 49770.

NORTHLAND LIBRARY COOPERATIVE
CHARLEVOIX COUNTY, MICHIGAN
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

ASSETS		
Cash and Cash Equivalents	$	409,414
TOTAL ASSETS		409,414
LIABILITIES		
Current Liabilities	$	1,632
TOTAL LIABILITIES		1,632
NET POSITION		
Unrestricted		407,782
TOTAL NET POSITION	$	407,782

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

NORTHLAND LIBRARY COOPERATIVE
CHARLEVOIX COUNTY, MICHIGAN
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2025

		PROGRAM REVENUES		NET (EXPENSE) REVENUE & CHANGES IN NET POSITION
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
<u>Functions/Programs</u>				
Governmental Activities				
Recreation & Culture	$ 498,357	-	-	$ (498,357)
Total Governmental Activities	$ 498,357	-	-	$ (498,357)
General Revenues				
Direct State Aid				$ 239,057
Indirect State Aid				161,634
Reimbursements				12,586
Other Revenue				61,858
Interest				17,987
Total General Revenues				493,122
Change in Net Position				(5,235)
Net Position - Beginning of Year				413,017
Net Position - End of Year				$ 407,782

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

NORTHLAND LIBRARY COOPERATIVE
CHARLEVOIX COUNTY, MICHIGAN
FUND FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2025

	GENERAL FUND
ASSETS	
Cash and Cash Equivalents	$ 409,414
TOTAL ASSETS	409,414
LIABILITIES	
Current Liabilities	1,632
TOTAL LIABILITIES	1,632
FUND BALANCE	
Assigned (in the event of dissolution)	100,000
Unassigned	307,782
TOTAL FUND BALANCE	407,782
TOTAL LIABILITIES AND FUND BALANCES	$ 409,414

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

NORTHLAND LIBRARY COOPERATIVE
CHARLEVOIX COUNTY, MICHIGAN
FUND FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS
RECONCILIATION OF BALANCE SHEET TO STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

Total Governmental Funds Fund balance as reported in the balance sheet of the governmental funds	$ 409,414
Amounts reported for governmental activities in the statement of net position are different because:	-
Total Net Position - Governmental Activities	$ 409,414

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

NORTHLAND LIBRARY COOPERATIVE
CHARLEVOIX COUNTY, MICHIGAN
FUND FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2025

	GENERAL FUND
REVENUES	
Direct State Aid	$ 239,057
Indirect State Aid	161,634
Reimbursements	12,586
Other Revenue	61,858
Interest Income	17,987
TOTAL REVENUES	493,122
EXPENDITURES	
Recreation and Culture:	
Cooperative Services	408,012
Operating Expenses	90,345
TOTAL EXPENDITURES	498,357
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,235)
Fund Balance - Beginning of Year	413,017
Fund Balance - End of Year	$ 407,782

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

NORTHLAND LIBRARY COOPERATIVE
CHARLEVOIX COUNTY, MICHIGAN
FUND FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2025

Net change in Fund Balances - Governmental Funds	$	(5,235)
Amounts reported for governmental activities in the statement of net position are different because:		-
Change in Net Position - Governmental Activities	$	(5,235)

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

Definition of the Reporting Entity

The Northland Library Cooperative (the "Cooperative") is a not-for-profit entity established under the laws of the State of Michigan, (links a group of Northern Michigan public libraries in areas of common interest and benefit). These areas include interlibrary lending, resource sharing services, advocacy, consulting, and continuing education. The Cooperative is supported primarily through Federal and State Aid administered by the Library of Michigan.

Basis of Presentation

The financial statements present the fund financial statement on a modified accrual basis with an adjustment to present the statement of net position and the statement of activities on a full accrual basis.

Fund Financial Statements

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Cooperative, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds, which are maintained in accordance with the activities or objectives specified.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Cooperative conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as a general revenue.

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. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and thereafter to pay liabilities of the current period. For this purpose, the government 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

State Aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Cooperative reports the following major governmental fund:

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

Cash and Cash Equivalents

Cash consists of checking and savings accounts.

In accordance with Michigan Compiled Laws, Northland Library Cooperative is authorized to invest in the following investment vehicles:

a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
b. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.
c. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
d. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, and which matures not more than 270 days after the date of purchase.
e. The United States government of Federal agency obligations repurchase agreements.
f. Bankers acceptances of United States banks.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Receivables

All trade receivables are shown as net of allowance for uncollectible amounts.

Prepaid Expenses

The Cooperative had no prepaid expenses for the year ended September 30, 2025.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accrued Liabilities

The Cooperative had $1,632 of accrued liabilities relating to payroll liabilities for the year ended September 30, 2025.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Cooperative does not have any deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Cooperative does not have any deferred inflows of resources.

Net Position Flow Assumption

Sometimes the government 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 government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund Balance Flow Assumption

Sometimes the government 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 government'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 purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Equity

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable - Includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted - Includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed - Includes amounts that can only be used for specific purposes determined by a formal action by Board Resolution. These amounts cannot be used for any other purpose unless the Board removes or changes the specified

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

use by taking the same type of action (Board Resolution) that was employed when the funds were initially committed.

Assigned - Includes amounts a government intends to use for a specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority.

Unassigned - Includes amounts that are available for any purpose. Positive amounts are only reported in the General Fund.

Restricted resources are used first when an expense is incurred for which both restricted and unrestricted resources are available. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Cooperative considers amounts to have been spent first from committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

Compensated Absences

There is no liability for compensated absences reported in the government-wide financial statements as the Cooperative does not pay out accrued leave upon separation.

Use of Estimates

The preparation of financial statements in conformity with 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.

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The State of Michigan adopted a Uniform Budgeting and Accounting Act applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

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

1. The Cooperative's director submits to the Board of Trustees a proposed budget prior to October 1 of each year. The budget includes proposed expenditures and the means of financing them.

2. Budgeted amounts are as originally adopted, or as amended by the Board of Trustees throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted at the functional level.

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

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

For the fiscal year ended September 30, 2025, there were no accounts in which expenditures were in excess of budgeted amounts.

Accumulated Fund Deficits

The Cooperative had no funds with an accumulated fund balance deficit at September 30, 2025.

NOTE 4 - CASH AND CASH INVESTMENTS

As of September 30, 2025, the Cooperative had deposits subject to the following risk:

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Cooperative's deposits may not be returned to it. As of September 30, 2025, the carrying amount of the Cooperative's deposits was $409,414 and the bank balance was $409414, of which $283,935 was covered by federal depository insurance leaving the remaining $125,479 uninsured and uncollateralized.

The following summarizes the categorization of these amounts as of September 30, 2025:

	PRIMARY GOVERNMENT
Cash and case equivalents	$ 302,400

The Cooperative will minimize custodial credit risk, which is the risk of loss due to the failure of security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker / dealer, intermediaries, and advisors with which the Township will do business.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. As of September 30, 2025, the Cooperative did not have any investments that would be subject to rating.

Interest Rate Risk

In accordance with its investment policy, the Cooperative will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

NOTE 4 - CASH AND CASH INVESTMENTS (continued)

Concentration of Credit Risk

The Cooperative will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Cooperative's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

NOTE 5 - RISK MANAGEMENT

The Cooperative is exposed to various risks of loss related to property loss and torts, errors, omissions, and employee injuries. The Cooperative has purchased commercial insurance for property, personal liability, and umbrella coverage. Settled claims relating to the commercial insurance are not expected to exceed the amount of insurance coverage.

NOTE 6 - COMPENSATED ABSENCES

The Cooperative does not offer compensated absences, therefore there is no accrual presented in accordance with Governmental Accounting Standards Board's Statement No. 16 "Accounting for Compensated Absences".

NOTE 7 - DEFERRED COMPENSATION PLAN

The Cooperative has a defined contribution 457 retirement plan that covers employees. Under the plan, the Cooperative contributes up to 5% of employees' earnings that also make salary deferred contributions. The Cooperative's contributions amounted to $2,675 on for the year ended September 30, 2025. The plan is administered by MERS of Michigan.

NOTE 8 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 11, 2025, the date on which the financial statements were available to be issued.

NORTHLAND LIBRARY COOPERATIVE
CHARLEVOIX COUNTY, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2025

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL BALANCES	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Direct State Aid	$ 239,000	$ 239,000	$ 239,057	$ 57
Indirect State Aid	160,500	160,500	161,634	1,134
Reimbursements	12,000	12,000	12,586	586
UpNorth Digital	61,550	61,550	61,858	308
Interest Income	18,000	18,000	17,987	(13)
Misc Revenue	-	-	-	-
TOTAL REVENUES	491,050	491,050	493,122	2,072
EXPENDITURES				
Cooperative Services	414,669	414,669	408,012	6,657
Operating Expenses	95,749	95,749	90,345	5,404
TOTAL EXPENDITURES	510,418	510,418	498,357	12,061
EXCESS OF REVENUE OVER EXPENDITURES	(19,368)	(19,368)	(5,235)	14,133
Fund Balance - Beginning of Year	413,017	413,017	413,017	-
Fund Balance - End of Year	$ 393,649	$ 393,649	$ 407,782	$ 14,133

SEE NOTES TO THE FINANCIAL STATEMENTS.

Schulze Oswald Miller & Edwards PC

120 N. Ripley Street • Alpena, MI 49707
P.O. Box 69 • Rose City, MI 48654

Alpena 989-354-8707 • Fax 989-354-8708
Rose City 989-685-2411 • Fax 989-685-2412

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AT THE CONCLUSION OF THE AUDIT

Northland Library Cooperative Board Members
Charlevoix County, Michigan

We have audited the financial statements of the governmental activities and the major fund of the Northland Library Cooperative ("the Cooperative") for the year ended September 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 24, 2025. 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 Northland Library Cooperative are described in Note 2 of the financial statements. During the fiscal year the Cooperative adopted GASB Statement No. 101, *Compensated Absences* and GASB Statement No. 102, *Certain Risk Disclosures*. We noted no transactions entered in by Northland Library Cooperative during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no sensitive disclosures affecting the financial statements.

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

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedure 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 the purposes of this letter, a disagreement with management is 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 Representation

We have requested certain representations from management that are included in the management representation letter dated November 11, 2025.

Management's 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 Cooperative'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 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 Northland Library Cooperative'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 Management's Discussion and Analysis and Budgetary Comparison Schedule, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restrictions on Use

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

Schulze, Oswald, Miller & Edwards PC

Schulze, Oswald, Miller & Edwards PC
Charlevoix, Michigan
November 11, 2025

Schulze Oswald Miller & Edwards PC

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS

To the Board Members of Northland Library Cooperative
Charlevoix, Michigan

In planning and performing our audit of the financial statements of the governmental activities and the major fund of the Northland Library Cooperative, Charlevoix County, Michigan (the Cooperative) as of and for the year ended September 30, 2025, 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 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 Cooperative's financial statements will not be prevented, or detected and corrected, on a timely basis. We have identified no material weaknesses during the audit.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in internal control to be a significant deficiency:

Lack of Adequate Controls to Produce Full-Disclosure GAAP Basis Financial Statements

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Cooperative's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

Condition: As is the case with many smaller and medium-sized entities, the Cooperative has historically relied on its independent external auditors to assist in the preparation of the government wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Cooperative's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the Cooperative's internal control.

Cause: This condition was caused by the Cooperative's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Cooperative to perform this task internally.

Effect: As a result of this condition, the Cooperative lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The Cooperative has evaluated the cost versus benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP and determined that it is in the best interest of the Entity Cooperative to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

<u>Compliance and Other Matters</u>

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under generally accepted auditing standards.

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

Schulze, Oswald, Miller & Edwards PC

Schulze, Oswald, Miller & Edwards PC
Charlevoix, Michigan
November 11, 2025