

SOUTHWEST MICHIGAN LIBRARY COOPERATIVE  
COUNCIL MEETING

Thursday, January 14, 2010 at 3:00 pm  
Paw Paw District Library

1. Call to order
2. Roll Call: to be taken from sign up sheets
3. Approval of January 14, 2010 agenda
4. Approval of October 8, 2009 minutes
5. Treasurer's report
6. Old Business
  - a. Status of SMLC Grants
    - i. Mel Delivery – Teresa
    - ii. Technology – Teresa
    - iii. Collection Development – Ann
    - iv. Professional Development – Lawrence
  - b. Status of 2008-09 Financial Audit – Jennifer/Lawrence
7. New Business
  - a. Misc. information from State meetings – Rick
  - b. Any reactions regarding MLC-INCOLSA merger? – Rick
  - c. Committee reports (if any)
  - d. General information sharing from all members
8. Other announcements
9. Adjournment

**Southwest Michigan Library Cooperative  
Council Meeting Minutes  
Thursday, October 8, 2009 7:00 p.m.  
Cass District Library, Cassopolis**

1. Call to order: The meeting was called to order by President Ann Rohrbaugh at 7:00 .
2. **Roll call: Attendance was taken from sign-up sheets.**  
The following members from public libraries were present:

Ann Perrigo	Allegan District
Judy Berry	Berrien Springs Community
Carol Richardson	Bridgman Public
Pamela Solo	Buchanan District
Jennifer Ray	Cass District
Tim Wiggins	Cass District
Ann Rohrbaugh	Kalamazoo Public
Ralph Weessies	Lawrence Memorial
Chris Roussel	Lawton Public
Dina Reilly	Lincoln Township
Mary Sundblad	Lincoln Township
Chris Nofsinger	Marcellus
Ryan Wieber	Otsego District
Teresa Stannard	Parchment Community
John Mohney	Paw Paw District
Christine Berro	Portage District
Lawrence Kapture	Portage District
Kay LaPierre	Richland Community
Mary Kynast	St. Joseph Public
Gretchen Evans	Sodus Township
Deb Jones	South Haven Memorial
Lois Hartman	Watervliet District
Rick Hulsey	Willard Public

The following members from other library types were present:

Lauren Matacio	Andrews University
Betsy Susan Morgan	Glen Oaks Community Coll.
Dennis Krepps	Kalamazoo Inst. Of Arts

Guests - none


3. Appreciation extended to Jennifer Ray and the Cass District Library for hosting the meetings tonight and the delicious meal.
4. Approval of July agenda:  
Motion to approve the agenda as presented by Ralph Weessies, second by Dina Reilly.  
Motion carried.

5. **PROGRAM:** Speaker: Nancy Robertson, State Librarian, Library of Michigan
6. Approval of minutes from council meeting of July 23, 2009 -  
Correction: add Ralph Weessie to attendance. Motion to approve the minutes with correction as as noted by Mary Kynast, second by Dennis Krepps. Motion carried.
7. Financial review:  
The board approved a budget at the September board meeting to have a budget in place by October 1<sup>st</sup>. This was reviewed and discussed.
8. Old Business:  
Continued discussion of reimbursement / expenditure ideas for 2009/2010 –  
Ann noted the amount proposed on service reimbursement concept is directly related to the budget for 2009/2010.  
The board has discussed what type of expenditures would best benefit all the public libraries, including:
- Provide \$1,000 to each public library (receipt required) for MeL Delivery
  - Provide up to \$2,000 to each public library for any technological application/or experiment (receipt required)
  - Provide up to \$1,000 to each public library for collection development (receipt required)
  - Provide up to \$1,000 to each public library for professional development (receipt required)
  - Provide film licensing/performance rights for all 35 public libraries
- TOTAL \$195,375.00
- This would still leave a reserve fund balance of 13%, and an unreserved fund balance of \$244,447.00 if all state aid funds are received.  
There was support from council on suggested reimbursement/expenditure ideas and to immediately proceed with MeL Delivery and film licensing/performance rights reimbursements for an approximate cost of \$55,000.
9. **New Business**
- Information on membership application from J.C. Wheeler Library in Martin – Rick  
Letters have been received from Wheeler Library asking to join SMLC. There was support from the council to allow J.C. Wheeler to join the SMLC Cooperative.
  - Misc from meetings – Rick  
Rick has been attending cooperative meetings.  
A list of discounts available will be posted on website.  
Noted we ended the SMLC fiscal year with \$52,000 in the black from what projected.  
State Aid form received and Rick will be working on it.
  - Board membership for 2009/2010; report from Nominating Committee – Dina, Carol  
Carol reported on the new board members and officers for 2009/2010.  
Election of officers will occur at board meeting following council.
10. **Door Prize Drawing**  
There are two 16 gb iPods to be given away, following up on the July council meeting.  
Winners are: Lois Hartman, Watervliet and Chris Nofsinger, Marcellus
11. **Adjournment at 8:25 p.m. with board meeting to follow.**

Minutes taken by Carol Richardson

**Southwest Michigan Library Cooperative  
Board Meeting**

Thursday, January 14, 2010 - following Council meeting  
Paw Paw District Library

Attendance: \_\_ Stephanie Daniels \_\_ Deborah Jones \_\_ Lawrence Kapture  
\_\_ Dennis Krepps \_\_ John Mohny \_\_ Jennifer Ray \_\_ Ann Rohrbaugh  
\_\_ Sherry Sims \_\_ Teresa Stannard \_\_ Ralph Weessies \_\_ Ryan Wieber

Also present: \_\_ Rick Hulsey

Corrections or additions to Agenda:

Approval of January 14, 2010 Agenda                      Motion\_\_\_\_\_                      Support\_\_\_\_\_                      Vote\_\_\_\_\_

Approval of November 11, 2009 Minutes                      Motion\_\_\_\_\_                      Support\_\_\_\_\_                      Vote\_\_\_\_\_

Treasurer's Report

- Financial report – Lawrence

• Approval of Bills to be Paid                      Motion\_\_\_\_\_                      Support\_\_\_\_\_                      Vote\_\_\_\_\_

Old Business

- As referred from Council

New Business

- Set locations for upcoming meetings

Comments from Board Members

Adjournment    Motion\_\_\_\_\_                      Support\_\_\_\_\_                      Vote\_\_\_\_\_

**Southwest Michigan Library Cooperative  
Board Meeting  
November 11, 2009 at 3:00 pm  
Portage District Library**

**Call to Order:**

The meeting was called to order by President Ryan Wieber. The following members were also present: Director Rick Hulsey, Stephanie Daniels, Lawrence Kapture, Dennis Krepps, Jennifer Ray, Ann Rohrbaugh, Sherry Sims, Teresa Stannard, and Ralph Weessies.

Members absent: Deborah Jones and John Mohny.

**Guests:**

There were no guests.

**Corrections to the agenda:**

Addition to New Business: Report on status of Bank of America signature card, and formal addition to minutes to approve Ryan Wieber as an additional signatory. **Motion** by Jennifer, second by Ralph, to approve the agenda as presented. Motion carried.

**Approval of minutes from October 8, 2009:**

Motion by Ann, second by Sherry, to approve the minutes as presented. Motion carried.

**Treasurers / financial report:**

**Financial report – Lawrence Kapture and Rick Hulsey**

- Rick noted that the balance for October 2009 had increased 11.7% over that on October 2008.
- Rick noted a discrepancy in the Income/Expense report, which didn't seem to contain all the expenditures for October. Since October marks the turn of the budget year, some checks listed on the October bills-to-be-paid report might have been posted to the previous fiscal year. Lawrence will contact Becky, the bookkeeper at Cass District Library, to clarify this issue, and will report at the December meeting.

**Bills to be paid**

- **Motion** by Stephanie, second by Ann, to approve the bills to be paid. Motion carried.

**Are we ready for next year's audit?**

- Jennifer reported that she has spoken to our auditor, Jim Baker of Siegfried Crandall, who will meet with her next week to do the preliminary work for the SMLC annual audit. Jennifer expects a smooth audit this year.

**Old Business:**

**Review Reimbursement Plan. We have implemented the film licensing and MEL Delivery reimbursement grants – should we proceed with any other grants?**

- **Motion** by Teresa, second by Jennifer, to implement the remaining grants to SMLC member public libraries: \$2000 per library for any technological application and/or experiment; \$1000 per library for Collection Development, and \$1000 per library for professional development. These grants, along with the previously-implemented \$1000 per library for MEL deliver and film licensing rights for all libraries, will not exceed \$195,375.00.
- Teresa will review and approve the MEL Delivery and Technology grant applications and forward them to Jennifer; Ann will review and approve the Collection Development grant applications and forward them to Jennifer; and Lawrence will review and approve the Professional Development grants and forward them to Jennifer.
- Ryan will post a notification on the Newsnotes listserv to announce the grants and to instruct libraries how to apply for them.

**Southwest Michigan Library Cooperative  
Board Meeting  
November 11, 2009 at 3:00 pm  
Portage District Library**

**New business:**

**2008-2009 Item Review of 3-year QSAC Plan of Service (Appendix C)**

- The Board reviewed the 3-year QSAC plan of service and noted that all goals listed have been met to the best of our ability.

**Should new member libraries be required to wait one year before receiving any SMLC grants?**

- The board agreed to consider this question on a case-by-case basis, as libraries apply for membership.

**Report on status of Bank of America signature card, and formal addition to minutes to approve Ryan Wieber as an additional signatory.**

- Lawrence reported that he and Teresa have been added as signatories for the SMLC Bank of America account. Retiring board members Ann and Carol will soon be removed as signatories.
- Ryan reported that he had attempted to have his name added to the SMLC Bank of America account, but was denied because he couldn't present minutes which listed him as an approved signatory.
- The board agreed that since SMLC checks require two signatures, we should have at least three officers approved to sign checks.
- **Motion** by Ralph, second by Sherry, to approve Ryan Wieber, in his capacity as SMLC Board President, as a signatory for the SMLC Bank of America account. Motion carried.

**News from the Coop Directors**

- Rick requested that the film licenses from both vendors, and the addition of Martin as a member library, be posted on the SMLC website. He reported that the minutes from the Coop Directors meetings are on the SMLC website.

**Next meeting**

- The next meeting will be held on **Thursday, December 10, at 3:00 pm at the Paw Paw Library.**

**Comments from board members:**

- Dennis (KIA) reported that they will have a storytime on Saturday, featuring Dave Coverly. The former "Sunday Funday" activities at the KIA have been moved to Saturday, and are known as "Family Fun Day" events.
- Teresa (Parchment) reported that the food-oriented programs held in the last 8 weeks have been very successful.
- Ralph (Climax) reported that new shelving is being installed in the library.
- Stephanie (Hartford) reported that their Vampire Party was a big success. They are also planning an addition using funds from the Rural Development Grant.
- Ann (Kalamazoo) reported that due to a 5% reduction in property tax revenue, they will be eliminating bookmobile service. She is not sure what additional cuts may be necessary, and is hoping a new strategic plan may assist her in making those decisions.
- Sherry (Portage Schools) reported that since school library budgets have been reduced (again), public libraries may be called upon to serve the needs of students more than ever before.
- Rick (Battle Creek) reported that he is also considering the expense of maintaining a bookmobile. He also reported that attendance at programs has been excellent.

**Adjourn**

**Motion to adjourn at 4:35pm by Ralph, second by Dennis. Motion carried.**

Minutes taken by Teresa Stannard

**Southwest Michigan Library Cooperative**  
**Balance Sheet Prev Year Comparison**  
As of December 31, 2009

	Dec 31, 09	Dec 31, 08	\$ Change	% Change
<b>ASSETS</b>				
Current Assets				
Checking/Savings				
1010 - LaSalle - operating	285,475.04	362,688.71	-77,213.67	-21.3%
Total Checking/Savings	<u>285,475.04</u>	<u>362,688.71</u>	<u>-77,213.67</u>	<u>-21.3%</u>
Total Current Assets	<u>285,475.04</u>	<u>362,688.71</u>	<u>-77,213.67</u>	<u>-21.3%</u>
<b>TOTAL ASSETS</b>	<u>285,475.04</u>	<u>362,688.71</u>	<u>-77,213.67</u>	<u>-21.3%</u>
<b>LIABILITIES &amp; EQUITY</b>				
Liabilities				
Current Liabilities				
Accounts Payable				
2010 - Accounts payable	8,575.00	0.00	8,575.00	100.0%
Total Accounts Payable	<u>8,575.00</u>	<u>0.00</u>	<u>8,575.00</u>	<u>100.0%</u>
Other Current Liabilities				
2160 - Michigan Withholdings	-272.43	-272.43	0.00	0.0%
Total Other Current Liabilities	<u>-272.43</u>	<u>-272.43</u>	<u>0.00</u>	<u>0.0%</u>
Total Current Liabilities	<u>8,302.57</u>	<u>-272.43</u>	<u>8,575.00</u>	<u>3,147.6%</u>
Total Liabilities	<u>8,302.57</u>	<u>-272.43</u>	<u>8,575.00</u>	<u>3,147.6%</u>
Equity				
3000 - Unrestricted net assets	275,010.34	275,010.34	0.00	0.0%
3010 - Unrestrict (retained earnings)	27,100.33	-10,097.72	37,198.05	368.4%
Net income	-24,938.20	98,048.52	-122,986.72	-125.4%
Total Equity	<u>277,172.47</u>	<u>362,961.14</u>	<u>-85,788.67</u>	<u>-23.6%</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u>285,475.04</u>	<u>362,688.71</u>	<u>-77,213.67</u>	<u>-21.3%</u>

4:57 PM  
 01/11/10  
 Accrual Basis

## Southwest Michigan Library Cooperative Profit & Loss YTD Comparison December 2009

	<u>Dec 09</u>	<u>Oct - Dec 09</u>
Ordinary Income/Expense		
Expense		
7000 · Grant & contract expense		
7030 · Allocations to affiliates	8,000.00	12,100.00
7060 · Benefits paid to or for members	0.00	5,881.58
Total 7000 · Grant & contract expense	<u>8,000.00</u>	<u>17,981.58</u>
7200 · Salaries & related expenses		
7210 · Officers & directors salaries	0.00	1,950.00
7220 · Salaries & wages - other	0.00	105.00
Total 7200 · Salaries & related expenses	<u>0.00</u>	<u>2,055.00</u>
7500 · Other personnel expenses		
7520 · Accounting fees	430.00	4,025.00
Total 7500 · Other personnel expenses	<u>430.00</u>	<u>4,025.00</u>
8500 · Technology		
8501 · Application Hosting	50.00	150.00
Total 8500 · Technology	<u>50.00</u>	<u>150.00</u>
8700 · Supplies		
8703 · Food	0.00	351.62
8707 · Other Office Supplies	125.00	375.00
Total 8700 · Supplies	<u>125.00</u>	<u>726.62</u>
Total Expense	<u>8,605.00</u>	<u>24,938.20</u>
Net Ordinary Income	<u>-8,605.00</u>	<u>-24,938.20</u>
Net Income	<u><u>-8,605.00</u></u>	<u><u>-24,938.20</u></u>

**Southwest Michigan Library Cooperative**  
**General Ledger**  
 As of December 31, 2009

4:58 PM  
 01/11/10  
 Accrual Basis

Type	Date	Num	Name	Memo	Split	Amount	Balance
1010 - LaSalle - operating							290,650.04
Bill Pmt -Check	12/14/2009	2587	*Niles District Library	SMLC Techn...	2010 - Accoun...	-2,000.00	288,650.04
Bill Pmt -Check	12/14/2009	2585	Iron Mountain		2010 - Accoun...	-125.00	288,525.04
Bill Pmt -Check	12/14/2009	2586	Secant Technologies		2010 - Accoun...	-50.00	288,475.04
Bill Pmt -Check	12/14/2009	2584	Siegfried Crandall PC		2010 - Accoun...	-3,000.00	285,475.04
Total 1010 - LaSalle - operating						-5,175.00	285,475.04
1011 - LaSalle MM Checking							0.00
Total 1011 - LaSalle MM Checking							0.00
1020 - Chemical/Shoreline - Payroll							0.00
Total 1020 - Chemical/Shoreline - Payroll							0.00
1021 - Chemical Bank Savings							0.00
Total 1021 - Chemical Bank Savings							0.00
1022 - Fifth Third Bank							0.00
Total 1022 - Fifth Third Bank							0.00
1040 - Petty cash							0.00
Total 1040 - Petty cash							0.00
1110 - Accounts receivable							0.00
Total 1110 - Accounts receivable							0.00
1210 - Pledges receivable							0.00
Total 1210 - Pledges receivable							0.00
1215 - Doubtful pledges allowance							0.00
Total 1215 - Doubtful pledges allowance							0.00
1225 - Discounts - long-term pledges							0.00
Total 1225 - Discounts - long-term pledges							0.00
1240 - Grants receivable							0.00
1241 - PAC HUG Grant							0.00
Total 1241 - PAC HUG Grant							0.00
1240 - Grants receivable - Other							0.00
Total 1240 - Grants receivable - Other							0.00
Total 1240 - Grants receivable							0.00
1245 - Discounts - long-term grants							0.00
Total 1245 - Discounts - long-term grants							0.00

	<u>December 09</u>	<u>(08/09 Budget)</u> <u>Budget</u>	<u>December difference</u>
Ordinary Income/Expense			
Income			
4 · Contributed support	-	-	-
5 · Earned revenues	-	91.00	(91.00)
5490 · Miscellaneous revenue	-	91.00	(91.00)
Total Income	<u>-</u>	<u>182.00</u>	<u>(182.00)</u>
Expense			
7000 · Grant & contract expense	8,000.00	11,250.00	(3,250.00)
7200 · Salary & Related Expenses	-	-	-
7500 · Other personnel expenses	430.00	622.00	(192.00)
7600 · Membership dues	-	20.00	(20.00)
8100 · Non-personnel expenses	-	200.00	(200.00)
8120 · Governance	-	-	-
8142 · Postage	-	200.00	(200.00)
8170 · Printing & copying	-	200.00	(200.00)
8300 · Travel & meetings expenses	-	-	-
8500 · Technology	50.00	491.00	(441.00)
8520 · Bldg/wc/Bonding Insurance	-	-	-
8540 · Staff development	-	150.00	(150.00)
8550 · Union Catalog & Ill	-	300.00	(300.00)
8560 · Outside computer services	-	200.00	(200.00)
8700 · Supplies	125.00	380.00	(255.00)
Total Expense	<u>8,605.00</u>	<u>14,013.00</u>	<u>(5,408.00)</u>
Net Ordinary Income	<u>(8,605.00)</u>	<u>(13,831.00)</u>	<u>5,226.00</u>
Net Income	<u>(8,605.00)</u>	<u>(13,831.00)</u>	<u>5,226.00</u>

	December Actual	YTD Actual	TOTAL Oct '08 - Sep 09	YTD Budget	Variance	08-09 budget Amended Budget
Ordinary Income/Expense						
Income						
4 - Contributed support	-	-	199,680.00	0.00	-	199,680.00
5 - Earned revenues	-	-	1,000.00	181.00	(181.00)	1,000.00
5490 - Miscellaneous revenue	-	-	0.00	0.00	-	-
Total Income	-	-	199,680.00	90.00	(90.00)	199,680.00
Expense						
8120 - Governance	-	-	0.00	0.00	-	-
8170 - Printing & copying	-	-	2,000.00	200.00	(200.00)	2,000.00
7000 - Grant & contract expense	8,000.00	17,991.58	140,000.00	34,998.00	(17,016.42)	140,000.00
7200 - Salaries & related expenses	-	2,055.00	0.00	0.00	2,055.00	-
7500 - Other personnel expenses	430.00	4,025.00	0.00	0.00	4,025.00	-
7600 - Membership Dues	-	-	345.00	0.00	-	345.00
8100 - Non-personnel expenses	-	-	0.00	0.00	-	-
8200 - Occupancy expenses	-	-	0.00	0.00	-	-
8300 - Travel & meetings expenses	-	-	0.00	0.00	-	-
8500 - Technology	50.00	150.00	4,000.00	457.71	(317.71)	4,000.00
8520 - Bldg/wc/Bonding Insurance	-	-	3,000.00	0.00	-	3,000.00
8540 - Staff development	-	-	0.00	0.00	-	-
8550 - Union Catalog & Ill	-	-	0.00	0.00	-	-
8560 - Outside computer services	125.00	726.62	2,000.00	500.01	(500.01)	2,000.00
8700 - Supplies	8,605.00	24,938.20	3,000.00	582.63	143.99	3,000.00
Total Expense	(8,605.00)	(24,938.20)	154,345.00	23,894.66	1,043.52	154,345.00
Net Ordinary income	(8,605.00)	(24,938.20)	45,335.00	(23,804.66)	(1,133.52)	45,335.00
Net Income	(8,605.00)	(24,938.20)	45,335.00	(23,804.66)	(1,133.52)	45,335.00

# Siegfried Crandall PC

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Please review the drafts of your year-end financial statements and let us know when they are approved by returning your signed representation letter to the attention of Deb Borgman.

Thank you.

DRAFT

December 11, 2009

To the Board of Directors  
Southwest Michigan Library Cooperative

We have audited the financial statements of the Southwest Michigan Library Cooperative for the year ended September 30, 2009, and have issued our report thereon dated December 11, 2009. Professional standards require that we provide you with the following information related to our audit.

*Our Responsibility under U.S. Generally Accepted Auditing Standards*

As stated in our engagement letter dated September 1, 2009, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Southwest Michigan Library Cooperative are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2009. We noted no transactions entered into by the Southwest Michigan Library Cooperative during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 are no sensitive estimates affecting the financial statements.

The disclosures in the financial statements are neutral, consistent, and clear.

*Audit Adjustments*

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

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*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' 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 associated with the audit for the year ended September 30, 2009.

*Other 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 Southwest Michigan 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.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Communication Regarding Internal Control*

In planning and performing our audit of the financial statements of the Southwest Michigan Library Cooperative as of and for the year ended September 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Southwest Michigan Library Cooperative's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Southwest Michigan Library 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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

DRAFT

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. We consider the following deficiency in Southwest Michigan Library Cooperative's internal control to be a material weakness:

- The Cooperative has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals and the presentation of financial statement disclosures. The Cooperative has relied upon our firm as auditor to identify and develop material adjustments necessary to convert the Cooperative's financial statements into full accrual financial statements and to prepare the financial statements and appropriate disclosures. This service is allowable under current auditing standards and ethical guidelines and may be the most efficient and effective method for preparation of the Cooperative's financial statements. However, when an organization (on its own) lacks the ability to produce financial statements that conform to generally accepted accounting principles, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses. The Cooperative has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Directors of the Southwest Michigan 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.

*Sigfried Crandall P.C.*

# Siegfried Crandall PC

Certified Public Accountants & Advisors

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Please copy onto letterhead, sign, and return to us, to the attention of Deb Borgman when you have approved the drafts of your financial statements.

Thank you.

December 11, 2009

Siegfried Crandall P.C.  
246 E. Kilgore Road  
Kalamazoo, MI 49002

We are providing this letter in connection with your audit of the financial statements of the Southwest Michigan Library Cooperative as of September 30, 2009, and for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the Southwest Michigan Library Cooperative and the change in financial position in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with U.S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of December 11, 2009, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the Cooperative required by generally accepted accounting principles to be included in the financial reporting entity.
2. We have made available to you all -
  - a. Financial records and related data.
  - b. Minutes of the meetings of Board of Trustees or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
5. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

6. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
8. The Cooperative has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund equity.
9. The following, if any, have been properly recorded or disclosed in the financial statements:
  - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
  - b. Guarantees, whether written or oral, under which the Cooperative is contingently liable.
  - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.
10. We are responsible for compliance with the laws, regulations, and provisions of contracts and agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and agreements that we believe have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
11. There are no (except as disclosed) -
  - a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by *Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies*.

- c. Reservations or designations of fund equity that were not properly authorized and approved.
12. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with *Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies*, and we have not consulted a lawyer concerning litigation claims or assessments.
13. The Cooperative has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
14. The Cooperative has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
15. The financial statements properly disclose all non-consolidated joint ventures and other related organizations.
16. The financial statements properly classify all funds and activities.
17. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such, and all other funds that are presented as major are particularly important to financial statement users.
18. Net asset components (unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
19. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
20. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
21. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
22. Deposits are properly classified in category of custodial credit risk.
23. Capital assets are properly capitalized, reported, and, if applicable, depreciated.
24. The required supplementary information is measured and presented within prescribed guidelines.

Siegfried Crandall P.C.  
Page 4  
December 11, 2009

25. The Cooperative has a process to track audit findings and recommendations.

To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Signed: \_\_\_\_\_

Signed: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

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*Southwest Michigan Library Cooperative*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended September 30, 2009*

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Our discussion and analysis of the Southwest Michigan Library Cooperative's (the Cooperative) financial performance provides a narrative overview of the Cooperative's financial activities for the fiscal year ended September 30, 2009. Please read it in conjunction with the Cooperative's financial statements.

## FINANCIAL HIGHLIGHTS

- The Cooperative's total net assets (and the related Operating Fund balance) increased by \$64,018 (25.7 percent) as a result of this year's activities.
- The increase is attributable to State aid in excess of expenditures.
- The Operating Fund's unreserved, undesignated fund balance at the end of the fiscal year of \$317,360 represents 249.1 percent of the actual total Operating Fund expenditures for the current fiscal year.

## Overview of the financial statements

The statement of net assets reports all of the Cooperative's assets and liabilities, along with the difference between the two, which is identified as the net assets. Over time, increases or decreases in net assets may serve as a useful indicator as to whether the Cooperative's financial position is improving or deteriorating. However, other factors must also be considered when evaluating the overall financial position.

The statement of activities shows how the Cooperative's net assets changed during the fiscal year. All changes in net assets are reported when the underlying events giving rise to the changes occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave). This statement should help the reader to answer the question: Is the Cooperative better or worse off as a result of this year's activities?

## Funds

The accounts of the Cooperative are organized on the basis of funds. 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's fund is classified in one category:

- *Operating Fund.* This fund accounts for the expenses involved in providing services to its constituents who are then charged fees to recover the costs of operation. This fund uses the modified-accrual basis of accounting.

The notes to the basic financial statements provide additional information that is necessary to understand the data reported in the financial statements.

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**FINANCIAL ANALYSIS**

**Net assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the Cooperative's case, assets exceeded liabilities at the end of the fiscal year by \$317,360. There exist no restrictions as to use of these net assets.

**Table 1 - Net assets**

	<i>Governmental activities</i>	
	<u>2009</u>	<u>2008</u>
Current assets	\$ 318,582	\$ 265,265
Other liabilities	<u>1,222</u>	<u>11,923</u>
Net assets, unrestricted	<u>\$ 317,360</u>	<u>\$ 253,342</u>

Net assets of the Cooperative's governmental activities increased by \$64,018 (25.3 percent) to \$317,360, as spending did not keep pace with current year revenues.

The total cost of the Cooperative's operations amounted to \$127,422 in 2009 compared to \$244,782 in 2008, (a decrease of \$117,360, or 47.9% percent). In both 2009 and 2008, the Cooperative limited its operations to allocations to member libraries for technological additions and betterments, and related administration.

Private foundation grants decreased by \$32,484, as 2008 represented the final round awards of the Public Access Computer Hardware Upgrade Grant from the Bill & Melinda Gates Foundation, and state aid decreased \$7,867 (3.9%).

**Table 2 - Change in net assets**

	<i>Governmental activities</i>	
	<u>2009</u>	<u>2008</u>
<b>Program revenues:</b>		
Operating grants and contributions	\$ -	\$ 32,484
<b>General revenues:</b>		
State aid	<u>191,440</u>	<u>199,307</u>
Total revenues	<u>191,440</u>	<u>231,791</u>
<b>Expenses:</b>		
Recreation and culture:		
Member services/technology	110,986	228,796
Administration	<u>16,436</u>	<u>15,986</u>
Total expenses	<u>127,422</u>	<u>244,782</u>
Increase/(decrease) in net assets	<u>\$ 64,018</u>	<u>\$ (12,991)</u>

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### **Operating Fund budgetary highlights**

The original budget was amended to reflect an anticipated decrease in state grants, and related decrease in the amount of allocations to member libraries. Actual total expenditures were below the final total budget by \$26,923, as the amended budget was not modified to approximate lower than expected levels of expenditures.

### **Capital assets and debt administration**

At the end of the fiscal year, the Cooperative reported no investment in capital assets and no long-term debt.

### **Economic condition and outlook**

The Cooperative continues to rely on the state to finance operating costs. At this time, the Cooperative has elected to maintain a significantly reduced level of operation until the State can be more definitive as to the role of regional library cooperatives.

### **Contacting the Cooperative's financial management**

This financial report is designed to provide a general overview of the Cooperative's finances to its customers and creditors, and to demonstrate the Cooperative's accountability for the money it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Richard Hulse, Acting Director  
Southwest Michigan Library Cooperative  
c/o Willard Public Library  
7 West Van Buren  
Battle Creek, MI 49017

Phone: (269) 968-8166

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
Southwest Michigan Library Cooperative

We have audited the accompanying financial statements of the Southwest Michigan Library Cooperative as of and for the year ended September 30, 2009, as listed in the contents. These financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 financial position of the Southwest Michigan Library Cooperative as of September 30, 2009, and the change in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The management's discussion and analysis and budgetary comparison schedule, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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.

*Sigfried Crandall P.C.*

December 11, 2009

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**BASIC FINANCIAL STATEMENTS**

Southwest Michigan Library Cooperative  
STATEMENT OF NET ASSETS  
September 30, 2009

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**ASSETS**

Cash

\$ 318,582

**LIABILITIES**

Accounts payable

1,222

**NET ASSETS - unrestricted**

\$ 317,360

See notes to financial statements

**Southwest Michigan Library Cooperative**  
**STATEMENT OF ACTIVITIES**  
*Year ended September 30, 2009*

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**EXPENSES**

Recreation and culture:

Member services/technology  
Administration

\$ 110,986  
16,436

Total expenses

127,422

**GENERAL REVENUES**

State grants

191,440

**CHANGES IN NET ASSETS**

64,018

**NET ASSETS - BEGINNING**

253,342

**NET ASSETS - ENDING**

\$ 317,360

*See notes to financial statements*

**Southwest Michigan Library Cooperative**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Southwest Michigan Library Cooperative (the Cooperative) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

*a) Reporting entity:*

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Cooperative. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Cooperative has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely presented component unit in the Cooperative's financial statements.

The Cooperative was established under the authority and provision of Michigan Public Act 89 to provide library services to its member libraries. The Cooperative derives its principal operating revenues from state grants.

*b) Basis of accounting:*

The statement of net assets and the statement of activities 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 timing of related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by the provider have been met.

*c) Assets and liabilities:*

- i) Bank deposits* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.
  
- ii) Capital assets* - Capital assets, which include land, buildings, equipment and furniture, and vehicles, are defined by the Cooperative as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Currently, the Cooperative holds no capital assets.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

Budgetary information - An annual budget is adopted on a basis consistent with generally accepted accounting principles for the Operating Fund. The legal level of budgetary control adopted by the governing body is the functional level. Amounts encumbered for purchase orders, contracts, etc., are tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. There were no instances of expenditures in excess of budgeted amounts in 2009.

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NOTE 3 - DEPOSITS:

Deposits are carried at cost and are maintained at a single financial institution in the name of the Cooperative. Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended), authorizes the Cooperative to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Cooperative's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Cooperative will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance or are uncollateralized. At September 30, 2009, cash consisted solely of non-interest bearing deposits with a corresponding bank balance of \$320,634. The entire bank balance is covered by federal depository insurance.

State law does not require, and the Cooperative's deposit and investment policy does not have, specific limits in excess of state law pertaining to custodial credit risk. The Cooperative evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories. Currently, the Cooperative maintains all of its deposits with a single financial institution.

NOTE 4 - RISK MANAGEMENT:

The Cooperative is exposed to various risks of loss related to property loss, torts, and errors and omissions. The Cooperative has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 5 - PRIOR PERIOD ADJUSTMENT:

In 2009, the Cooperative recorded a prior period adjustment to correct its method of accounting for certain accrued expenses. As a result of this adjustment, net assets as of October 1, 2008, as shown in the accompanying financial statements, represent restated amounts, as follows:

Net assets, beginning of year:	
As previously reported	\$ 264,912
Understatement of accrued expenses	<u>(11,570)</u>
As restated	<u>\$ 253,342</u>

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SUPPLEMENTARY INFORMATION

Southwest Michigan Library Cooperative  
**BUDGETARY COMPARISON SCHEDULE - Operating Fund**  
 Year ended September 30, 2009

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	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
State grants	\$ 240,000	\$ 198,680	\$ 191,440	\$ (7,240)
<b>EXPENDITURES</b>				
Recreation and culture:				
Member services/technology	89,000	127,990	110,986	17,004
Administration	40,557	26,355	16,436	9,919
Total expenditures	<u>129,557</u>	<u>154,345</u>	<u>127,422</u>	<u>26,923</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	110,443	44,335	64,018	19,683
<b>FUND BALANCES - BEGINNING</b>	<u>253,342</u>	<u>253,742</u>	<u>253,342</u>	<u>(400)</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 363,785</u>	<u>\$ 298,077</u>	<u>\$ 317,360</u>	<u>\$ 19,283</u>